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Appropriations and Authorization for FY2002: Defense

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Coordinated by:
Amy Belasco, Mary Tyszkiewicz, and Stephen Daggett
Foreign Affairs, Defense, and Trade Division

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Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bound by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations.

This report is a guide to one of the 13 regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the House and Senate Defense Appropriations Subcommittees. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity. The report lists the key CRS staff relevant to the issues covered and related CRS products.

This report is updated as soon as possible after major legislative developments, especially following legislative action in the committees and on the floor of the House and Senate.

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Appropriations and Authorization for FY2002: Defense

Summary

On June 27, the Administration submitted an amended fiscal year 2002 defense budget request to Congress. The request totals \$343.5 billion in funding for the national defense budget function, \$18.4 billion more than in the initial White House budget plan, submitted on April 9, and \$32.9 billion above the amount originally enacted for FY2001. The total includes funding for the Department of Defense and for defense-related activities of the Department of Energy and other agencies. Administration officials have characterized the amended request as a “get well” budget that focuses on military personnel and readiness, with decisions on major weapons programs deferred until the Administration completes its ongoing review of military strategy.

With the destruction of the World Trade Center and the extensive damage to the Pentagon by terrorists on September 11th, concern about whether the overall federal budget can accommodate the substantial increase in defense expenditures proposed by the Administration without spending the budget surplus generated by the excess of Social Security and Medicare Hospital Insurance (HI) revenues over outlays has dissipated, as have some other concerns about funding and policy issues related to other programs. Action on appropriations bills for FY2002 was temporarily set aside while Congress considered and passed a \$40 billion emergency supplemental appropriations act (H.R. 2888) to provide assistance for the victims of the attacks and deal with other consequences, including additional national security needs. That same day, Congress also passed S.J.Res 23, which authorizes the President to use of U.S. military forces against those responsible for the terrorist attacks. Of the \$40 billion emergency supplemental, DOD has been allocated \$4.3 billion to upgrade intelligence, improve capabilities against terrorism, and heighten readiness.

Both houses have completed markup of the DOD authorization bill. On September 25th, the House completed floor consideration and passed the DOD authorization bill (H.R. 2586) by a vote of 378-19, approving the Administration’s request. The Senate completed its consideration of the DOD authorization, which also provides the full amount requested by the Administration, on October 2. Conference action is not likely to be completed until the end of the month.

Markup by the appropriations committees in both houses may begin shortly since the dispute between congressional leaders and the Administration about the total amount to be allocated for discretionary spending appears to be resolved. Providing the amount requested by the Administration for FY2002 was not part of the dispute. Allocating that amount would require Congress to set aside limitations set in this year’s concurrent budget resolution. Some budget analysts are suggesting that the effect of the terrorist attacks on the economy, along with the additional spending provided in the emergency supplemental and for airline recovery plus the proposals for economic stimulus that are under consideration, would eliminate the entire surplus and rekindle deficit spending as well. With appropriations bills still to be enacted, the House and Senate passed H.J.Res. 65, which provides continuing appropriations for all agencies, at the FY2001 level from October 1 through October 16th.

Key Policy Staff

Area of Expertise	Name	CRS Division	Telephone
Acquisition	Valerie Grasso	FDT	7-7617
Aviation Forces	Christopher Bolkcom	FDT	7-2577
Arms Control	Amy Woolf	FDT	7-2379
Arms Sales	Richard Grimmett	FDT	7-7675
Base Closure	David Lockwood	FDT	7-7621
Defense Budget	Stephen Daggett	FDT	7-7642
Defense Budget	Mary Tyszkiewicz	FDT	7-3144
Defense Budget	Amy Belasco	FDT	7-7627
Defense Industry	Gary Pagliano	FDT	7-1750
Defense R&D	John Moteff	RSI	7-1435
Ground Forces	Edward Bruner	FDT	7-2775
Ground Forces	Steven Bowman	FDT	7-7613
Health Care; Military	Richard Best	FDT	7-7607
Intelligence	Richard Best	FDT	7-7607
Military Construction	Daniel Else	FDT	7-4996
Military Personnel	David Burrelli	FDT	7-8033
Military Personnel	Robert Goldich	FDT	7-7633
Military Personnel; Reserves	Lawrence Kapp	FDT	7-7609
Missile Defense	Steven Hildreth	FDT	7-7635
Naval Forces	Ronald O'Rourke	FDT	7-7610
Nuclear Weapons	Jonathan Medalia	FDT	7-7632
Peace Operations	Nina Serafino	FDT	7-7667
Radio Frequency, Military	Lennard Kruger	RSI	7-7070
Readiness	Amy Belasco	FDT	7-7627
Space, Military	Marcia Smith	RSI	7-7076
War Powers	David Ackerman	ALD	7-7965
War Powers	Louis Fisher	G&F	7-8676
War Powers	Richard Grimmett	FDT	7-7675

Abbreviations:

FDT = Foreign Affairs, Defense, and Trade Division

G&F = Government and Finance Division

RSI = Resources, Science, and Industry Division

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Appropriations and Authorization for FY2002: Defense

Most Recent Developments

On September 11, attacks by terrorists destroyed the World Trade Center towers and did substantial damage to the Pentagon. In response to those actions, the House and Senate overwhelmingly passed a \$40 billion supplemental for FY2001 on September 14 to provide assistance to the victims and deal with other consequences of the attack, including supporting national security. That same day, Congress passed S.J.Res 23, which authorizes the President to use military force against those responsible for the terrorist attacks. As of October 4, the President has released \$4.3 billion of the emergency supplemental to the Department of Defense for upgrading intelligence, improving capabilities against terrorism, and heightening readiness. Action on the DOD appropriations bills for FY2002 was delayed by these circumstances but is likely to be resumed now that a dispute between the White House and congressional leaders about the total amount of discretionary spending to be provided in FY2002 appears to be resolved. There has not been any dispute, however, about providing the Department of Defense with the full amount requested by the Administration.

Both houses have completed markup of the DOD authorization bill. On September 25, the House completed floor consideration and passed H.R. 2586 by a vote of 378 to 19, approving the Administration's request of \$343 billion for national defense. The Senate passed its version on October 4 by a vote of 99-0. The Senate bill (S. 1438) also includes the full amount requested by the Administration. It also no longer includes controversial provisions that required congressional approval of any activities that would be inconsistent with the ABM Treaty. The Senate bill, however, made authorization of \$15.2 billion of that total contingent upon meeting certain requirements included in the concurrent budget for spending higher than provided for in the resolution. Both houses may take those actions, however, because responding to the recent terrorist attacks has overtaken previous concerns about using the surplus.

Markup by the appropriations committees in both houses is now likely to begin as the dispute between the congressional leadership and the White House about the overall amount to be allocated for discretionary spending appears to be resolved. Accommodating the full defense request, along with the emergency supplemental, the additional funding for the airline industry, the downturn in the economy, and economic stimulus packages under consideration could not only consume the entire surplus in 2002 but also rekindle deficit spending. With appropriations bills not yet enacted, the House and the Senate passed H.J.Res. 65, which provides continuing

appropriations for all agencies at the 2001 level from October 1 through October 16.

Background

Congress provides funding for national defense programs in several annual appropriations measures, the largest of which is the defense appropriations bill. Congress also acts every year on a national defense authorization bill, which authorizes programs funded in all of the regular appropriations measures. The authorization bill addresses defense programs in almost precisely the same level of detail as the defense-related appropriations, and congressional debate about major defense policy and funding issues usually occurs mainly in action on the authorization. **Because the defense authorization and appropriations bills are so closely related, this report tracks congressional action on both measures.**

The annual defense appropriations bill provides funds for military activities of the Department of Defense (DOD), including pay and benefits of military personnel, operation and maintenance of weapons and facilities, weapons procurement, and research and development, as well as for other purposes.

Most of the funding in the bill is for programs administered by the Department of Defense, though the bill also provides (1) relatively small, unclassified amounts for the Central Intelligence Agency retirement fund and intelligence community management, (2) classified amounts for national foreign intelligence activities administered by the CIA and by other agencies as well as by DOD, and (3) very small amounts for some other agencies. Five other appropriations bills also provide funds for national defense activities of DOD and other agencies including:

- the **military construction appropriations** bill, which finances construction of military facilities and construction and operation of military family housing, all administered by DOD; and
- the **energy and water development appropriations** bill, which funds atomic energy defense activities administered by the Department of Energy.
- the **VA-HUD-independent agencies** appropriations bill, which finances civil defense activities administered by the Federal Emergency Management Agency, activities of the Selective Service System, and DOD support for National Science Foundation Antarctic research;
- the **Commerce-Justice-State appropriations** bill, which funds national security-related activities of the FBI, the Department of Justice, and some other agencies; and
- the **transportation appropriations** bill, which funds some defense-related activities of the Coast Guard.

Status¹

Action on the major defense funding bills was delayed by congressional consideration of the \$40 billion emergency supplemental for FY2001 in response to the terrorist attacks on the World Trade Center and the Pentagon. That supplemental was passed by the House and the Senate on September 14, and DOD has received an additional \$4.3 billion for national security activities (see below). The House passed the authorization bill on September 25 and Senate passed its version on October 4. Markup by the appropriations committees is likely to begin soon since the dispute between congressional leadership and the White House about the overall level of discretionary spending appears to be resolved. In the meantime, funding for defense and other government agencies has been included in H.J.Res. 65, a continuing resolution that provides funding at the 2001 level through October 16, 2001.

FY2001 Emergency Appropriations Act for Recovery from and Response to Terrorist Attack on the United States

H.R. 2888, the FY2001 Emergency Appropriations Act for Recovery from and Response to Terrorist Attack on the United States provides \$40 billion in emergency spending to be allocated by the Administration in consultation with Congress. (Funds designated as emergency spending are not subject to the limitations set in concurrent budget resolutions.) The funds are to be spent for the following purposes:

- federal, state, and local preparedness for relief from and for responding to the attack;
- support to counter, investigate and prosecute domestic and international terrorism;
- increased security for transportation;
- repairing damage to public facilities and transportation systems; and
- supporting national security.

The President is required to consult with the chairmen and ranking minority members of the appropriations committees prior to the transfer of the funds to individual agencies. The initial \$10 billion would be available immediately, to be allocated by the President after consultation with Congress. The second \$10 billion would not be available until 15 days after the Director of the Office of Management and Budget submits a proposed allocation and plan for use of the fund to the appropriations committees. An additional \$20 billion may be obligated only when allocated in later appropriations bills. Of the \$40 billion total, not less than \$20 billion is to be allocated for disaster recovery activities and other assistance in response to the terrorist acts in New York, Pennsylvania, and Virginia. The President may submit detailed requests to Congress if further funding is required. The Director of OMB is to provide quarterly reports to the appropriations committees on the use of funds, beginning on January 2, 2002.

¹ For an overview of the defense budget process in Congress, see CRS Report RL30002, *A Defense Budget Primer*, by Mary Tyszkiewicz and Stephen Daggett.

The White House released \$5.1 billion in funding on September 21 and \$1.8 billion on September 28. Of the total of \$6.9 billion in emergency spending, DOD received \$4.3 billion, or over 60% of the total.² According to OMB reports, DOD's funding is for a variety of purposes, ranging from intelligence upgrades to higher operating tempo, as shown in Table 1.

Table 1. Funding Allocated to DOD under FY2001 Emergency Supplemental (P.L. 107-38) as of October 4, 2001

(In millions of dollars)

Category	Total	Comments
Increased Situational Awareness (first allocation)	1,276	Includes intelligence upgrades to RC-135 and EP-3 reconnaissance aircraft, acceleration of Global Hawk unmanned aerial vehicle, and sensors.
Enhanced Force Protection	740	Self-defense weapons for Navy ships and other forces as recommended by USS Cole Commission; physical security systems, personnel alerting systems.
Improved Command & Control	458	For connecting to local, state, and federal governments, for Central Command, and for other military communication systems.
Increased Worldwide Posture	840	Increased operating tempo costs (spares, fuel, depot maintenance) for ships and aircraft and additional pay for activating reservists.
Offensive Counter-terrorism	252	Additional buys of precision-guided missiles and other munitions (JDAMs and ALCMs).
Initial Crisis Response	518	Costs of deploying Navy ships and combat air patrols off coasts, and DOD support to FEMA, and military support to NYC.
Pentagon Repair/Upgrade	100	Debris removal, engineering studies, and initial repairs.
Other	100	Potential cost of higher fuel prices.
Total DOD	4,284	Not applicable

Sources: OMB fact sheet provided to congressional committees dated September 28, 2001; also Tony Capaccio, "Emergency Defense Funds going to improve military intelligence," [http://www.bloomberg.com], September 27, 2001; Frank Wolfe, "Zakheim: supplemental includes RC-135 Upgrades, Global Hawk Acceleration," *Defense Daily*, September 25, 2001; and "Zakheim: New Defense Spending in 2001 will lead to increases in 2002 and 2003," *Aerospace Daily*, September 25, 2001.

² DOD received \$2.548 billion on September 21 and \$1.7 billion on September 28; see Letters from President George Bush to Speaker of the House, J. Dennis Hastert, authorizing transfers from the Emergency Response Fund under provisions of P.L. 107-38, with attachment from the Office of Management and Budget, September 21, 2001, and September 28, 2001; see [http://w3.access.gpo.gov/usbudget/FY2002/amndsup.html].

Additional allocations of the 2001 emergency supplemental may be forthcoming in the weeks ahead. The 2001 Emergency Appropriations Act requires that the Administration provide a proposed allocation and plan for funding beyond the initial \$10 billion.

Funding to Combat Terrorism in the National Security Community

There is no consensus about either the definition of activities that are designed to combat terrorism or the categories to use to describe spending for those activities. Some use the term ‘homeland defense’ for programs designed to combat terrorism. In its report to Congress, OMB uses a set of categories for spending to combat terrorism that differs from those used by the Department of Defense for its current spending in response to the terrorist attacks, which makes a comparison between previous and current spending impossible based on the reporting provided thus far (see below).

In an amended version of its August 2001 report to Congress, OMB estimated that the national security community funding to combat terrorism in FY2001 totaled \$5.5 billion, or 57% of total federal funding.³ That total includes funding for both the Department of Defense and intelligence agencies; for security reasons, OMB did not segregate the portion for the Department of Defense. The OMB report also estimates that DOD is spending an additional \$1.8 billion in FY2001 to protect critical infrastructure, such as computer and communications networks.

For FY2002, the Administration’s estimated request for funding for the national security community to combat terrorism was \$6.4 billion, or \$930 million more than the previous year. This revised estimate reflects the amended budget request sent to Congress by the President on June 27th rather than the initial “current services” estimate included in OMB’s annual report to Congress that was issued in August 2001. (**Table 2** below shows the revised estimates from OMB.) Using a set of categories that apply to all government agencies, the table below divides DOD’s spending into five categories:

- Law enforcement and investigative;
- Physical security of government;
- Physical security of national populace;
- Preparing for and responding to terrorist attacks; and
- Research and Development.

With the attack on the World Trade Center and the Pentagon, both these estimates and the amount of funding, as well as the role of the various federal agencies, are being reviewed both within the executive branch and by Congress.

³ See amended September version, “Annex 1: Funding to combat terrorism (including Defense against WMD) by Bureau and Category,” included in OMB, *Annual Report to Congress on Combating Terrorism*, August 2001.

**Table 2. OMB Estimate of National Security Community
Funding to Combat Terrorism, FY2000 - FY2002**
(in millions of dollars and percent of total)

Category	FY2000 \$	FY2001 \$	FY2002 \$	FY2000 %	FY2001 %	FY2002 %
National Security Total ^a	\$5,368	\$5,503	\$6,433	100%	100%	100%
Law enforcement and investigative	\$2,644	\$2,732	\$2,888	49%	50%	45%
Physical security of government	\$2,231	\$2,300	\$3,098	42%	42%	48%
Physical security of national populace	\$0	\$0	\$0	0%	0%	0%
Preparing for and responding to . . .	\$303	\$238	\$249	6%	4%	4%
Research and development	\$190	\$235	\$199	4%	4%	3%

Sources: OMB, *Annual Report to Congress on Combating Terrorism*, revised estimates as of September 2001 [http://www.whitehouse.gov/omb/legislative/nsd_annual_report2001] and CRS calculations.

a. Figures include funding for both the Department of Defense and intelligence agencies and an estimated \$609 million in FY2002 for defense against weapons of mass destruction.

Prior to the terrorist attacks, 93% of the national security funding in FY2002 is concentrated in two areas – \$2.9 billion for law enforcement and investigative activities and \$3.1 billion for physical security of government (see **Table 2**). Funding for law enforcement, as described by OMB, includes all monies provided to DOD's investigative services and military police even though some of those assets may not be specifically directed against terrorism. In a similar fashion, the funding for physical security includes protection of federal facilities, including those located overseas where DOD has a substantial presence along with the State Department.

The remaining funding includes \$249 million for preparing for and responding to terrorist attacks and \$199 million for R&D. The total for preparing for and responding to terrorist attacks includes funding to protect DOD facilities against attacks that rely on weapons of mass destruction (WMD), and DOD's role as a coordinator of the actions by federal, state and local agencies who are the first to respond to terrorist incidents. R&D efforts include funding to develop responses to biological warfare and DOD's contribution to interagency efforts to develop new technologies and equipment to counter terrorism.

Congressional Action. The Senate Armed Services Committee added \$217 million to the Administration's FY2002 request. Of that proposed increase, \$109 million is to support R&D designed to detect, defend, and respond to weapons of mass destruction, \$43 million is for additional R&D to detect biological and chemical weapons and \$52 million for R&D into other WMD agents. A House amendment that was adopted on the floor allocated an additional \$400 million to combat terrorism

(\$100 million for upgrading intelligence assets, \$150 million to reduce vulnerability, \$100 million for offensive counter terrorism initiatives, and \$50 million for consequence management). The additional funding for terrorism was offset by a reduction of \$400 million in ballistic missile defense programs and consulting services.⁴ The Senate provided that the President could re-allocate \$1.3 billion – that the SASC had denied to the ballistic missile program – for either combating terrorism or for the ballistic missile defense program.

House Floor Action

After considering the DOD Authorization bill, H.R. 2586, on September 20th, 24th, and 25th, the House passed the bill by a vote of 398 -17. The Rules Committee limited the number of floor amendments, and debate was lessened because of the bipartisan support for defense spending in response to the terrorist attacks.⁵ The major amendments that were passed were the following:

- an add of \$250 million for testing of the F-22 aircraft;
- a \$400 million increase for combating terrorism that was offset by cuts to BMD programs and consulting services (see discussion above); and
- an amendment offered by Congressman Traficant permitting the Secretary of Defense to assign active-duty military personnel to assist with border patrol.

Other amendments that were passed (1) permits military installations to be used as polling places; (2) allows private donations to repair the Pentagon; and (3) establishes a new medal to be awarded to civilians who are killed or wounded as a result of hostile action.

Senate Floor Action

As a bipartisan compromise, the Senate considered a new version of the DOD Authorization Act on the floor - S. 1438 rather than S. 1416, the bill that was reported out of committee - that stripped the bill of controversial provisions that would have required the President to certify and Congress to approve the funding of any activity that could violate the ABM Treaty.⁶ The President had threatened to veto the bill if these provisions were included. Those provisions were included in a separate bill, S. 1439. The Senate passed S. 1438 by a vote of 97 - 0 on October 2.⁷

⁴ *Congressional Record*, September 25, p. H6025.

⁵ See H. Rept. 107-218, *Providing for further consideration of H.R. 2586, National Defense Authorization Act for Fiscal Year 2002*, September 24, 2001, for amendments ruled in order.

⁶ See sections Subtitle C - Missile Defense, Sections 221 to 224; these provisions also included reporting requirements for missile defense programs.

⁷ The Senate passed S. 1438 after debate over six days: September 21, 24, 25, and October 1 and October 2.

In floor action, the Senate took the following significant actions:

- adopted a provision restoring \$1.3 billion that the SASC cut from ballistic missile defense (BMD) programs, and allowing the President to allocate those funds to either RDT&E for BMD, or combating terrorism; and
- rejected an amendment that would have removed provisions adopted by the SASC providing for a new round of base closures in 2003; and
- adopted the Reid amendment permitting “concurrent receipt” of benefits for military retirees with service-connected disabilities, i.e. allowing those persons to receive both retirement and VA disability payments without the reduction required in current law.

Authorizing such “concurrent receipts” would have a significant effect on future budgetary requirements for the government as a whole. According to cost estimates from CBO, authorizing “concurrent receipts” would increase mandatory or entitlement spending by \$2.9 billion in FY2002 and \$40.6 billion over the next ten years. In addition, the Defense Department would have to provide about \$1 billion annually to cover the estimated cost of providing this benefit in the future for service members currently in the force.⁸ (The House version of the bill contains the language that was originally included in the Senate bill, which states that the benefit would not be provided until the Administration provides an offset to cover the mandatory or entitlement spending.)

Markup by the House and Senate Authorizing Committees

The House and the Senate authorizing committees completed markup of their defense authorization bills, H.R. 2586 and S. 1416, on August 1 and September 4 respectively (see **Table 3a.** below). Congressional action on FY2002 defense authorization and appropriations bills was originally delayed because the Administration did not submit its amended request until June 27 because of the ongoing review of military strategy. Specific changes made by the authorizing committees are discussed below.

Military Construction Appropriations

The House Appropriations Committee marked up the FY2002 Military Construction Appropriations bill (H.R. 2904) on September 20th, and passed it the next day. The Senate Appropriations Committee marked up its version of the bill (S. 1460) on September 25th, and passed it on September 26th. Conference action is anticipated the middle of October (see CRS Report RL31010, *Appropriations for FY2002: Military Construction*, by Daniel Else.)

⁸ This accrual funding, where the agency is required to include the anticipated cost of providing benefits to its current members, is also used to fund military retirement. The cost of providing the benefit to current recipients is mandatory spending that is not part of the DOD budget.

Table 3a. Status of FY2002 Defense Authorization

Full Committee Markup		House Report	House Passage	Senate Report	Senate Passage	Conference Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
8/1/01	9/4/01	9/4/01 H.Rept. 107-194	9/25/01 (398-17)	9/12/01 S.Rept. 107-62	10/2/01 (99-0)	—	—	—	—

Note: A dash indicates that no action has been taken.

Table 3b. Status of FY2002 Defense Appropriations

Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conference Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
—	—	—	—	—	—	—	—	—	—

Note: A dash indicates that no action has been taken.

FY2002 Congressional Budget Resolution (CBR)

Congress completed action on the FY2002 congressional budget resolution (H.Con.Res. 83) in early May – the House approved a conference agreement on the resolution on May 9, and the Senate on May 10 – before the Administration had determined its defense spending plans. The conference agreement establishes a provisional target of \$324.8 billion in new budget authority for the national defense budget function (which includes Department of Energy defense-related activities and defense-related activities of other agencies as well as of the Department of Defense). To allow for further increases in defense, the resolution uses the mechanism of reserve funds, separately administered in the House and the Senate, to accommodate increased spending in FY2002 and over the whole FY2002-FY2011 period. With the lower mid-session estimates of the surplus issued by both OMB and CBO in August, the downturn in the economy, and additional spending in response to the terrorist attacks, it will be impossible to accommodate the defense increase without tapping social security revenues. In fact, if an economic stimulus package of \$50 billion to \$75 billion is also adopted, as is under consideration, deficit spending is considered likely. (See below for a more detailed discussion.)

Section 302 (b) Allocations

Section 302 of the Congressional Budget Act establishes procedures through which budget resolution ceilings on spending are implemented in the appropriations process. Under Section 302 (a) the congressional budget resolution allocates funds

to the appropriations committees. Section 302 (b) requires that the appropriations committee in each House report how funds are subdivided among the appropriations subcommittees. These “302 (b) allocations” ultimately determine how much money will be available for each of the regular appropriations bills, including defense. The 302 (b) allocations may be adjusted at any time, and often change as action on appropriations bills proceeds.

On June 8, 2001, the House Appropriations Committee released its initial 302(b) allocations for FY2002 appropriations bills. The Subcommittee on Defense received \$300.3 billion in budget authority, compared to \$301 billion anticipated in the Bush Administration’s April 9 “placeholder” request. (Note that this is below the \$310.5 billion in discretionary funding requested for the Department of Defense because it does not include funds provided to DOD in the military construction appropriations bill.) On June 21, 2001, the Senate Appropriations Committee approved its initial allocations – the Subcommittee on Defense received \$298.6 billion in new budget authority. Following receipt of a revised budget request, the budget resolution allows the defense allocation to increase, with the approval of the chairs of the House and Senate Budget Committees. (See the discussion of the budget resolution below.)

FY2001 Supplemental Appropriations⁹

On July 20, both houses approved a conference agreement on a bill (H.R. 2216) providing supplemental appropriations for FY2001. The measure includes \$5.5 billion for the Department of Defense. Unlike other recent supplementals for defense, which typically provided funds mainly for contingency operations, this bill – submitted by the new Administration on June 1 – provides additional funding for day-to-day operating expenses and unanticipated cost growth in health and other areas. The bill was initially passed by the House on June 20, (H.R. 2216) and by the Senate on July 10 (S. 1077), and it was signed into law on July 24 (P.L. 107-20).

Action by the House Armed Services Committee

The House Armed Services Committee (HASC) markup of H.R. 2586 provides \$343.3 billion for the national defense function, generally endorsing the Administration’s request. In military personnel, the Committee not only supported the Administration’s requests for substantial improvements in military pay but also provided for other improvements in compensation and health care. In the case of funding for Operation and Maintenance (O&M), the Committee supported the Administration’s request for additional funding for readiness-related funding but cut “non-readiness” related O&M by about \$1 billion and redistributed some of those funds to enhancement of training of reserve forces. See below for more detailed discussions of individual issues.

The Committee provided \$47.4 billion for RDT&E, \$300 million more than the Administration’s request, and supported all but \$135 million of the President’s request

⁹ For detailed information on the FY2001 supplemental appropriations, see CRS Report RL30995, *Supplemental Appropriations for FY2001: Defense Readiness and Other Programs*, by Stephen Daggett.

for \$8.2 billion for missile defense (see CRS Report RL31111, *Missile Defense: The Current Debate*, coordinated by Steven A. Hildreth and Amy F. Woolf). The Committee also added \$525 million to the Administration's request for procurement funds, citing it as the "weakest link" in the Administration's budget because decisions about modernization are awaiting completion of the Quadrennial Defense Review.

Action by the Senate Armed Services Committee

Like the HASC, the Senate Armed Services Committee (SASC) markup of S. 1416 also provides \$343.3 billion for the national defense function, the same amount as the Administration's request. The SASC, however, provided that authorization of \$15.2 billion of the Administration's \$18.4 billion increase would be contingent upon approval of additional funds for Defense by the Chair of the Senate Budget Committee as provided in the FY2002 concurrent budget resolution (see section below for a more detailed discussion of the budget resolution).¹⁰

The SASC also adjusted the Administration's request to reflect the Committee's priorities. The Committee's markup included the major changes outlined below. The committee added funds in the following areas:

- \$450 million for family housing and military construction;
- \$250 million for military compensation (primarily to reduce out-of-pocket housing costs for military personnel);
- \$400 million for procurement of additional helicopters and other equipment;
- \$307 million to convert four Trident ballistic missile submarines (SSBNs) to carry Tomahawk cruise missiles;
- \$625 million more for theater missile defense systems like PAC-3 and THAAD;
- over \$800 million for "transformational" RDT&E programs, including over \$250 million for science and technology programs;
- over \$600 million for new initiatives to deal with non-traditional threats including over \$200 million to combat terrorism (see section below); and
- \$270 million to Operation and Maintenance to improve readiness.

At the same time, the SASC reduced the Administration's request in the following areas:

- \$590 million less for the V-22 tilt-rotor Osprey aircraft;
- \$247 million less for the Joint Strike Fighter;
- \$1.3 billion less for ballistic missile defense; and
- \$1.6 billion reduction for savings from management efficiencies.

¹⁰ The SASC exempted the funding requested for military pay and Defense Health, which totals \$3.6 billion out of the \$18.4 billion increase requested on June 27 by the Administration (see section 1302 of S. 1416).

To improve the efficiency of defense operations and management, the Committee also authorized another round of base closures in 2003 and directed the Defense Department to save \$1.6 billion by applying best commercial practices and improving defense management.

Overview of the Bush Administration Request¹¹

Initial Budget Projections

The Bush Administration released an initial outline of its overall budget plans, *A Blueprint for New Beginnings*, on February 28, and its official, more detailed budget request was submitted on April 9. Both the “Budget Blueprint” and the April 9 budget included \$310.5 in discretionary budget authority¹² for the Department of Defense, about the level the Clinton Administration had planned. Note that this does not include defense-related activities of the Department of Energy and other agencies – with all defense-related activities added, the April 9 budget projected \$325.1 billion in FY2002 for the national defense budget function.

The defense totals in the February 28 “Budget Blueprint” and in the April 9 budget request were, however, characterized simply as “placeholder” numbers. The Administration’s plan was to submit a revised budget request by the summer, following completion of a review of defense strategy and plans. Defense budget estimates beyond FY2002 simply reflected projected growth of the original FY2002 \$310.5 billion for DOD at the rate of inflation rather than the results of any policy assessment (see **Table 4** below).

June 27th Budget Amendment

On June 27, the Administration submitted an amended FY2002 defense budget request totaling \$328.9 billion dollars in discretionary funding for the Department of Defense – \$18.4 billion more than the April 9 budget, and \$32.6 billion above the amount initially enacted for FY2001 (not including FY2001 supplemental appropriations). For the national defense budget function, the revised total amounts to \$343.5 billion. The Administration has not made any revised estimates of defense spending beyond FY2002. **Table 4** shows the actual FY2000 level, the original FY2001 enacted level, supplemental appropriation for FY2001, and the FY2002 amended request.

¹¹ For more background on the Administration request, see CRS Report RL30977, *Defense Budget for FY2002: An Overview of Bush Administration Plans and Key Issues for Congress*, by Stephen Daggett.

¹² Discretionary funds are controlled through annual appropriations acts. For definitions of this and other budget terms, including “budget authority,” see CRS Report RL30002, *A Defense Budget Primer*, by Mary Tyszkiewicz and Stephen Daggett.

**Table 4. Department of Defense Funding,
FY2000 through the Amended FY2002 Budget Request**
(billions of dollars)

Title	FY2000 Actual	FY2001 April Estimate ^a	FY2001 Supple- mental ^a	FY2001 with Supple- mental ^a	FY2002 Amended Request ^a	FY2002 vs. FY2001 (Apr. Est.) (\$)	FY2002 vs. FY2001 (Apr. Est.) (%)
Military Personnel	73.8	75.4	0.5	76.0	82.3	+6.9	+9%
O&M	108.1	108.0	4.7	112.7	125.7	+17.7	+16%
Procurement	55.0	62.1	-0.2	61.9	61.6	-0.5	-1%
RDT&E	38.7	40.8	0.5	41.3	47.4	+6.6	+16%
Military Construction	5.1	5.3	0.0	5.4	5.9	+0.6	+11%
Family Housing	3.5	3.6	0.1	3.7	4.1	+0.4	+12%
Rev., Mgt. & Other Funds	3.1	1.0	-0.1	1.0	2.3	+1.2	+118%
Total DOD Discretionary^b	287.3	296.3	5.5	301.9	328.9	+32.6	+11%
DOD Mandatory^c	3.2	-1.3	NA	-1.3	-1.1	+0.2	-15%
Total DOD Funding	290.5	295.0	5.5	300.6	327.8	+32.8	+11%

Sources: U.S. Office of Management and Budget, *Budget of the United States Government, FY2002*, April 2001; Conference report to accompany H.R. 2216, H.Rept. 107-148, *Congressional Record*, July 20, 2001, pp. H4388-4389, and CRS calculations.

Notes:

- a. In April, 2001, the Bush administration submitted its FY2002 budget to Congress including “placeholder” numbers for the Department of Defense. The President sent Congress a request for supplemental appropriations for FY2001 on June 1, 2001 and an amended FY2002 budget request on June 27. The Congress passed the FY2001 supplemental on July 20, 2001, and the President signed the bill on July 24, 2001.
- b. Discretionary budget authority is appropriated to the Department of Defense annually.
- c. Mandatory funding is governed by standing law – in DOD it reflects primarily offsetting receipts received by certain DOD activities.

In discussing the amended budget, Administration officials said that increased spending – \$32.6 billion above the FY2001 level appropriated by Congress last year for DOD – was necessary to “address severe shortfalls in readiness, healthcare, operations, maintenance, and infrastructure ... inherited” from the previous administration.¹³ The amended request is 11% higher than the FY2001 level enacted by Congress last year. Taking into account the effect of inflation, the request reflects real growth of 7%, a reversal of the modest declines in spending that have characterized the second half of the 1990s, with the exception of an increase in 1999 to fund the conflict in Kosovo¹⁴ (see **Table 4**). The Administration modified projections of funding beyond 2002 in its Mid-session Review issued on August 22, 2001 (see below). Final projections of funding for later years, however, are not likely

¹³ Letter from President Bush transmitting the amended FY2002 request to the Speaker of the House of Representatives, June 27, 2001.

¹⁴ For the long term trend in defense spending up to FY2000, see CRS Report RL30447, *Defense Budget for FY2001: Data Summary*, February 23, 2000, Table 10.

to be available until DOD submits the FY2003 budget after completion of the national strategy review.

Effect of the Terrorist Attacks, OMB's Mid-Session Review, and the Quadrennial Defense Review on Future Defense Spending Plans

On August 22, 2001, OMB issued its Mid-Session Review of the FY2002 budget, including revised estimates of not only the surplus but also new estimates of defense spending in later years (see **Table 5**). Those estimates added \$98 billion to projected spending between FY2001 and FY2006, compared to the Administration's initial April 2001 estimates. The increase was designed to make later years consistent with the amended budget request for FY2002, which added \$18.4 billion to the defense budget.

These new estimates, however, still do not reflect the national military strategy review, that was sent to Congress on September 30th. Estimates of future year funding, typically provided with the budget, will probably not be revised until the Administration incorporates the results of its new military strategy in the FY2003 budget. In the congressionally-mandated Quadrennial Defense Review (QDR) just submitted to Congress (see below), DOD states that future spending plans are currently being revised in response to "markedly increased requirements" to combat terrorism.¹⁵

Table 5. Changes in Bush Administration's estimates for National Defense, FY2000 - 2006

(Budget authority in billions of current and constant FY2002 dollars)

Fiscal Year	Actual 2000	Estimate 2001	Request 2002	Proj. 2003	Proj. 2004	Proj. 2005	Proj. 2006	Total, 2001-2006
Initial April 2001 Request^a								
National Defense Budget Function^a								
Current Year Dollars	304.1	310.6	325.1	333.9	342.8	352.2	361.9	2,026.5
Constant FY2002 Dollars	322.0	319.8	325.1	326.0	326.1	326.2	326.5	1,949.6
Real Growth/Decline	--	-0.0	0.0	0.0	0.0	0.0	0.0	NA
Department of Defense Budget^a								
Current Year Dollars	290.5	295.1	309.4	318.0	326.9	336.0	345.5	1,930.8
Constant FY2002 Dollars	307.5	303.7	309.4	310.5	310.9	311.2	311.6	1,857.4

¹⁵ Secretary of Defense Rumsfeld, *Quadrennial Defense Review Report*, September 30, 2001, po. 48.

Fiscal Year	Actual 2000	Estimate 2001	Request 2002	Proj. 2003	Proj. 2004	Proj. 2005	Proj. 2006	Total, 2001- 2006
Real Growth/Decline	--	-0.0	0.0	0.0	0.0	0.0	0.0	NA
Amended Request without Supplemental FY2001 Funding^b								
National Defense Budget Function^b								
Current Year Dollars	304.1	310.6	343.5	352.9	362.4	372.2	382.5	2,124.2
Constant FY2002 Dollars	322.0	319.8	343.5	344.6	344.7	344.8	345.0	2,042.4
Real Growth/Decline	--	-0.0	0.1	0.0	0.0	0.0	0.0	NA
Department of Defense Budget^b								
Current Year Dollars	290.5	295.1	328.0	336.9	346.3	356.0	366.0	2,028.3
Constant FY2002 Dollars	307.5	303.7	328.0	329.0	329.4	329.8	330.2	1,950.1
Real Growth/Decline	--	-0.0	0.1	0.0	0.0	0.0	0.0	NA
Amended Request with Supplemental FY2001 Funding^c								
National Defense Budget Function^c								
Current Year Dollars	304.1	310.6	316.4	352.9	362.4	372.2	382.5	2,097.2
Constant FY2002 Dollars	322.0	319.8	316.4	344.6	344.7	344.8	345.0	2,015.4
Real Growth/Decline	--	-0.0	-0.0	0.1	0.0	0.0	0.0	NA
Department of Defense Budget^c								
Current Year Dollars	290.5	300.6	328.0	337.8	347.0	356.6	366.5	2,036.6
Constant FY2002 Dollars	307.5	309.5	328.0	329.9	330.1	330.3	330.6	1,958.3
Real Growth/Decline	--	0.0	0.1	0.0	0.0	0.0	0.0	NA

Sources: U.S. Office of Management and Budget, Budget of the United States Government, FY2002 Historical Tables, April 2001; U.S. Office of Management and Budget, Mid-Session Review, FY2002 (August 22, 2001); deflators from Department of Defense Comptroller; Conference Report to Accompany H.R. 2216, H.Rept. 107-148.

- Reflects the Bush Administration's initial April request for the Department of Defense for FY2002 - 2006.
- Reflects amended budget for FY2002 submitted on June 27th, 2001, excludes FY2001 supplemental enacted on July 20th, 2001, and includes new estimates for FY2003-2006 included in Mid-Session update of August 22, 2001.
- Reflects amended budget request for FY2002 submitted on June 27th, 2001, supplemental funding for FY2001 enacted on July 20th, 2001, and new estimates for FY2003-2006 included in Mid-Session update of August 22, 2001.

Quadrennial Defense Review. Sent to Congress on September 30, the much-anticipated Quadrennial Review (QDR) sets out four key goals for U.S. military strategy:

- assuring U.S. allies;
- dissuading competitors from challenging the U.S. or our allies;
- deterring aggression; and
- defeating adversaries decisively should deterrence fail.¹⁶

Citing the unpredictability of threats in the post-Cold War world, the QDR calls for adopting a “capabilities-based” strategy rather than a regional approach oriented to conflicts in two particular regions (i.e. the two “major regional conflicts” endorsed in the previous QDR). Under a “capabilities” approach, the military would focus more on “how an adversary might fight rather than specifically whom the adversary might be or where a war might occur.”¹⁷ In light of the September terror attacks, the report calls for restoring “the emphasis once placed on defending the United States and its land, sea, air, and space approaches.”¹⁸

At the same time, U.S. military forces are still to be prepared to defeat attacks in “two theaters of operation in overlapping time frames,” with a decisive defeat in one theater, and holding the enemy in the second, as well as being ready to conduct smaller-scale contingencies (SSCs) of varying durations.¹⁹ In the new capabilities approach, however, U.S. military forces are to emphasize information operations, ensuring U.S. access to distant theaters, and defending the U.S. Despite the shift in approach, the QDR does not propose any changes in the current force structure or military end strength.

Unlike most of the report, which is very general, the QDR specifically requires the services to make plans to redeploy forces to re-orient the global posture of the U.S. to give additional emphasis to the Middle East and South Asia rather than the current emphasis on western Europe and northeast Asia; for example, the Secretary of the Air Force is to develop plans to base more forces in the Arabian Gulf.²⁰

Calling for a “transformation” of U.S. forces, operational capabilities, and management practices, the new QDR emphasizes:

- improving U.S. capabilities in information warfare, intelligence, and space;
- strengthening joint operations, command and control, and training;
- “selectively” replacing current equipment; and

¹⁶ Secretary of Defense Rumsfeld, *Quadrennial Defense Review Report*, September 30, 2001.

¹⁷ *Ibid*, p. IV in foreword.

¹⁸ *Ibid*, p. 14.

¹⁹ *Ibid*, p.21-22.

²⁰ *Ibid*, p. 27.

- reforming DOD management and acquisition practices to achieve efficiencies, including achieving \$3.5 billion in savings through consolidations.

Citing the new requirements arising from the September terrorist attacks, the QDR abandons previous plans for gradual increases in defense spending to be achieved through savings from efficiencies and states that DOD is now developing new estimates of future funding needs.²¹

Composition of Changes in the FY2002 Amended Budget

Of the \$32.6 billion increase in requested FY2002 DOD discretionary funds compared to FY2001, fully three-quarters is allocated to Operation and Maintenance (O&M) (54%) and Military Personnel (21%) accounts, which fund readiness-related and other support activities and military compensation (see **Table 6**). Another 20% of the increase is allocated to RDT&E, reflecting, in large part, the growth in spending for ballistic missile defense – half of the \$6 billion increase in R&D is allocated to a 57% increase in funding for ballistic missile defense, with the remainder spent on increases for “transformational R&D,” such as digitization of weapon systems and unmanned combat vehicles, and other R&D programs.

The FY2002 request included only small changes in funding for weapons procurement, reflecting the fact that the Administration had not yet completed its strategic review. The conclusions of that review have been included in the recently-completed Quadrennial Defense Review (QDR), and presumably, the Administration will reflect those conclusions the FY2003 budget. In fact, spending on Procurement is slated to decrease by \$.5 billion in the FY2002 budget.

²¹ Ibid, p. 48.

Table 6. Composition of Changes Between FY2002 Amended Request and FY2001 Enacted Amounts
(billions of dollars)

Title	FY2002 Amended vs. FY2001 Original Enacted Level (in billions of dollars)	Shares of Change Between FY2001 and FY2002 (in percent)
Military Personnel	6.9	21%
O&M	17.7	54%
Procurement	-0.5	-2%
RDT&E	6.6	20%
Military Construction	0.6	2%
Family Housing	0.4	1%
Revolving & Mgt. & Other Funds /e/	1.2	4%
Legislative Contingencies	-0.3	NA
Total, DOD Discretionary BA	32.6	100%

Sources: FY2002 amended request from Office of Management and Budget, Transmission of the FY2002 Amended DOD budget to the Speaker of the House of Representatives, June 27, 2001; FY2001 original enacted levels from U.S. Office of Management and Budget, *Budget of the United States, FY2002*, April 2001, Table 22-1; CRS calculations.

Table 7 and the discussion that follows provide a more detailed breakdown of the \$32.6 billion increase in funding between FY2001 and FY2002.

Military Personnel. The amount for Military Personnel in the FY2002 amended budget reflects the Administration's decision to exploit a variety of tools to improve military compensation in order to meet recruitment and retention goals, a major concern of the services and Congress in recent years. Those tools include:

- an increase in basic pay that averages 5% (including a 4.6% across-the-board increase in basic pay and higher selective raises for certain grades);
- a 15% increase in the housing allowance provided to military personnel;
- \$1 billion for improvements in pay targeted to particular grades and skills where retention problems have persisted; and
- \$2.9 billion of additional funding for bonuses and other incentive payments.

Table 7. Major Changes in FY2002 Amended Bush Budget
(budget authority in billions of dollars)

Category	Original FY2001 Enacted Level	Amended FY2002 Request	Change Between FY2002 and FY2001	
	billions of dollars		billions of dollars	percent
Military personnel total	75.4	82.3	6.9	9%
Across-the board increase to basic pay ^b	39.4	42.4	2.0	5%
Targeted pay raise ^b	NA	NA	1.0	0%
Reduction in housing costs	6.4	7.4	1.0	15%
Bonuses and other increases	NA	NA	2.9	NA
Operation and maintenance total	108.0	125.7	17.7	16%
Defense Health	11.6	17.9	6.3	54%
New benefits for retirees	(0.2)	(3.9)	(3.7)	NA
Growth in TRICARE and other costs	(11.4)	(14.0)	(2.6)	23%
Optempo-related activities	13.0	15.0	2.0	15%
Depot maintenance	6.6	7.9	1.3	20%
Base support	17.9	20.7	2.8	16%
Reserve training	11.2	12.5	1.3	12%
Other	47.7	51.7	4.0	8%
Procurement	62.1	61.6	-0.5	-1%
RDT&E	41.0	47.4	6.4	16%
Ballistic Missile Defense	5.3	8.3	3.0	57%
Other R&D	35.7	39.1	3.4	10%
Military Construction	5.3	5.9	0.6	11%
Family Housing	3.6	4.1	0.5	14%
Revolving & Management and other ^c	1.0	2.0	1.0	NA
TOTAL	296.3	328.9	32.6	NA

Sources: CRS calculations based on DOD, Under Secretary of Defense Comptroller, National Defense Budget Estimates for FY2001, March 2000; Transmission of FY2002 DOD Amended Budget to Congress, June 27, 2001; FY2002 DOD Briefing to the Press (with slides); Office of the Under Secretary of Defense (Comptroller), Department of Defense Amended Budget, Fiscal Year 2002, Military Personnel Programs, Programs, (M-1), June 2001.

Note: Totals may not add due to rounding.

a. Reflects April 2001 estimate for FY2001; does not include 2001 supplemental appropriations passed by both houses on July 20, 2001 and signed into law on July 24.

b. Includes both active-duty and reserve pay.

c. Includes appropriations to Revolving and Management funds and legislative contingencies.

Operation and Maintenance. Funding for O&M grows dramatically in the FY2002 budget – from \$108 billion in FY2001 to \$126 billion, a 16% increase of almost \$18 billion. This increase would push O&M’s share of the DOD budget to 38%. Although O&M spending is commonly associated with readiness, this increase would boost spending in a variety of areas reflecting the fact that O&M funds support activities that range from training operational units to cutting the grass on military installations.

Chief areas that would grow in the amended request include –

- **Defense Health:**²² The amended budget includes an additional \$3.7 billion for the expanded health care coverage that Congress authorized last year for military retirees over the age of 65 (see below for more detail about the Tricare for Life program), and \$2.6 billion more to cover expanded benefits and higher costs for dependents of active-duty personnel. The Administration has claimed that this reflects more “realistic” estimates for pharmacy costs and contracts for managed care.²³
- **Optempo-related activities and depot maintenance:** For the day-to-day training of military units, typically referred to as “optempo-related activities,” the new budget provides an additional \$2 billion.²⁴ That 15% boost in funding over the FY2001 level does not necessarily mean a higher pace of training of operational units (except for naval aviation units) but rather more funding for the purchase of spare parts, higher levels of depot repair, and improving firing ranges in response to concerns raised by military leaders about shortfalls that could affect readiness.²⁵ An additional \$1.3 billion for depot maintenance, a 20% increase, is also intended to improve readiness.
- **Base support:** Another \$2.8 billion proposed addition in O&M is for base support, 16% above last year’s level.²⁶ The Administration argues that such increases are necessary to improve the condition of

²² About two-thirds of the cost of the Defense Health Program is funded in O&M. The remaining one-third is the cost of military medical personnel (physicians, nurses, hospital corpsmen) that is funded in the Military Personnel title.

²³ DOD News Briefing on Amended Budget for FY2002 by Secretary of Defense Rumsfeld, Under Secretary of Defense (Comptroller) Dov Zakheim, and Deputy comptroller (Programs/Budget), Bruce Dauer, June 27, 2001, slide number 9.

²⁴ “Optempo” is an abbreviation for “operating tempo,” the term that refers to the amount or pace of training of operational units.

²⁵ Office of Management and Budget, Transmission of the FY2002 Amended DOD budget, as included in the White House letter to the Speaker of the House of Representatives, June 27, 2001.

²⁶ Ibid, and DOD News Briefing on Amended Budget for FY2002, June 27, 2001, cited above.

military installations, which the services suggest have been shortchanged in recent years.

- Other areas: Other areas within O&M would grow by about 10%.

Procurement Funding. The FY2002 amended budget includes \$61.6 billion for procurement of new weapon systems, \$0.5 billion below last year's level. Procurement spending largely follows plans laid in previous years because the Administration has not yet decided on its investment strategy pending its review of the national military strategy.

RDT&E. Of the \$6.4 billion or 16% increase in the R&D budget proposed for this year:

- \$3 billion is for the Administration's more ambitious pursuit of missile defense, a decision already generating considerable controversy (see below), and
- additional funding of more than \$1 billion is for programs characterized as "transformational," (e.g. unmanned systems like Global Hawk).

Funding for basic research (the Science and Technology share of R&D) is pegged at \$8.8 billion, some \$200 million below the level provided in 2001.²⁷

Military Construction and Family Housing.²⁸ Military construction and family housing – programs designed to maintain and modernize the defense infrastructure – are slated for increases of 11% (\$0.6 billion) and 14% (\$0.5 billion) respectively. The Administration justifies the increase for military construction as part of a long-term initiative to improve the condition of facilities. At the same time, the Administration is proposing an "Efficient Facilities Initiative" – a form of base closures – slated to begin in FY2003.²⁹

Major Issues in the FY2002 Amended Defense Budget

Several issues emerged as key matters of debate on the FY2002 defense budget though the salience of some of these issues has changed in response to the September 11 terrorist attack and new issues are likely to emerge about the appropriate role for the Department of Defense in combating terrorism, and what changes in funding

²⁷ Slides included with DOD News Briefing on Amended Budget for FY2002, June 27, 2001.

²⁸ For more information on military family housing, see CRS Report RL31039, *Military Housing Privatization Initiative: Background Issues*, by Daniel Else.

²⁹ Ibid.

should flow from that role. The issues that were previously of the greatest concern include the following.

- Is the \$343.5 billion requested by the new Administration the appropriate amount relative to defense needs, and can that amount be accommodated without dipping into the Medicare surplus in FY2002?
- Is increased funding of almost 60% and proposed restructuring of the ballistic missile defense program appropriate, and how will the Administration's plans affect the Anti-Ballistic Missile Treaty (ABM)?
- Is funding for procurement – slightly below last year's level – adequate?
- What are the implications for the future of the rapid growth in defense health costs?
- Are the large proposed increases in operation and maintenance funding necessary to support readiness, and will higher funding for O&M squeeze out other defense needs in the future?

A variety of other important issues – ranging from the level of military compensation to finding alternatives to Navy live fire training on Vieques – will also be considered, and are discussed in later sections of this report.

Accommodating the FY2002 Increase Within Budget Constraints

The Administration has characterized the defense budget increase in FY2002 as an initial down payment designed to make up for several years of shortfalls in funding of the day-to-day requirements of the services. Some argue that the increase is insufficient. In response to a request from Congressman Skelton, the ranking minority member in the House Armed Services Committee, the military services, submitted a list of “unfunded” requirements that totals another \$32 billion in FY2002. The total for this list is twice as large as that submitted by the services last year. Supporters of higher funding argue that the Administration's request does not correct “shortfalls” in long-term funding for weapon systems designed to “recapitalize” and “modernize” the force, an issue that has been the focus of debate in recent years. Members of the defense committees have already expressed their dissatisfaction with the procurement levels proposed in the amended request.

Others, however, argue that the Administration's request cannot be accommodated without dipping into the surplus generated by the Medicare Hospital Insurance Fund or shortchanging competing demands for higher funding for education, new coverage for Medicare prescription drugs, and adequate support of other domestic programs. Critics complain that the size of the Administration's tax cut has left little or no room for defense increases.

Although this perennial “guns versus butter” debate grew more intense when new, lower estimates of the FY2002 federal budget surplus – reflecting the effect of the tax cut on revenues and recent downturns in the economy – were published in August in OMB and CBO’s mid-session updates, these concerns have dissipated temporarily, at least, with the terrorist attacks. The defense appropriations was delayed because of Congressional response to the terrorist attack, and a continuing resolution was passed for all agencies to cover government spending until the regular appropriations can be passed. Attention is currently focused on Administration plans for how to allocate the \$40 billion provided in the emergency supplemental. Congress no longer appears to be concerned with reconciling the increase for defense with other competing spending demands, although concerns about the effect of higher defense spending in the future could resurface as the social security surplus is reduced, if not eliminated, by emergency spending, additional funding for the airlines, and possibly economic stimulus programs that would reduce tax revenues.

Constraints in the Congressional Budget Resolution. The final Congressional Budget Resolution approved in May establishes “reserve funds” for defense and certain other high-priority areas. The Chair of the Budget committees in each House can tap the “reserve funds” – in other words, approve higher levels of spending than those included in the Congressional budget resolution – only if the proposed increases would not reduce the surplus in the Medicare Hospital Insurance (HI) Fund, and if certain other conditions are met.³⁰ If the proposed increase, taken together with all previously enacted legislation, would tap the Medicare HI Fund surplus, any member can raise a point of order against the proposal.³¹ On the Senate side, sixty votes are required to override a point of order. On the House side, the Rules Committee decides whether a point of order can be raised. (This limitation applies to all the reserve funds except for Medicare itself, where the HI surplus can be used to finance a new prescription drug benefit.) Unlike the other reserve funds, the one set up for defense in the Senate does not include any specified limits on the amount of additional funding that may be provided.

³⁰ The FY2002 Congressional Budget resolution establishes “reserve funds” in each house to allow higher levels of defense spending and other programs, subject to the limitation that the increase not reduce the size of the Medicare surplus—the excess of revenues over outlays. This authority is likely to be exercised by revising the 302(a) allocations to the appropriations committees, which are the mechanism by which the budget committees implements the targets included in the resolution. On the Senate side, as long as the Medicare surplus would not be reduced, the Chair of the Budget Committee can approve higher levels if the President submits an amended request and the authorizing and appropriating committees report bills with higher levels based on the recommendations of the President’s National Defense review. (See Section 217 in H.Con.Res. 83, May 10, 2001. The same restriction on dipping into the Medicare surplus applies on the House side, and the Chair of the Budget Committee can consider the recommendations of the President’s National Defense Review and other Administration policy or budget submissions.

³¹ See Section 217 of H.Con.Res. 83, H.Rept. 107-60, p 24-25 for the reserve fund for defense in the Senate. The limitation—about dipping into the Medicare HI surplus— applies to all reserve funds except for Medicare, where the surplus in the Hospital Insurance Fund can be used to finance a new prescription drug benefit as long as funding does not exceed the caps in the resolution. For FY2002, the cap is zero (see section 211 of H.Con.Res. 83, H.Rept. 107-60, p. 21-22.)

Each house has set up somewhat different reserve funds. On the Senate side, under provisions of a reserve funds specifically established for defense, the Chair of the Budget Committee can increase the allocation to the Appropriations and Armed Services Committees provided:

- the President submits a budget amendment requesting additional funding for FY2002 following the “National Defense Review”; and
- the Appropriations Committee reports a measure which provides funding for such an amendment.

On the House side, the conference agreement establishes a more general “Strategic Reserve Fund,” which specifies that additional funds may be provided:

- “following the President’s National Defense Review;”
- for a prescription drug benefit; or
- “for other appropriate legislation.”

The Chairman of the Budget Committee may adjust committee allocations to reflect use of this reserve fund.³² See CRS Report RL30977, *Defense Budget for FY2002: An Overview of Bush Administration Plans and Key Issues For Congress*, by Stephen Daggett for a more extensive discussion of the budget resolution.

Missile Defense

(This section was prepared by Steve Hildreth and Amy Woolf)

Whether and when the United States should deploy defenses designed to protect against attack from long-range ballistic missiles has been a divisive defense issue for nearly 20 years. Although the Bush Administration has not outlined a specific architecture for missile defense, it has indicated that the development and deployment of missile defenses would be part of a broader shift in the framework for international strategic stability, away from reliance on nuclear and conventional deterrence and towards a growing reliance on a mix of offensive capabilities and missile defenses.

Where the Clinton Administration sought to develop and deploy a system that consisted of land-based interceptor missiles and radars, with some reliance on space-based sensors, the Bush Administration has suggested that the United States develop and deploy land- and sea-based interceptors, along with more extensive space-based capabilities for identifying and tracking attacking missiles. (For an overview of national and theater missile defense issues, see CRS Report RL31111, *Missile Defense: The Current Debate*, coordinated by Steven A. Hildreth and Amy F. Woolf.)

The amended FY2002 budget includes a dramatic overall increase in missile defense funding – a 60% increase compared to FY2001 funding. It does not appear, however, that the new Administration has significantly changed the relative priorities given to the main categories of missile defense – terminal, midcourse, and boost-phase defenses – that the Administration is using to present the program (see **Table 8**). The

³² See Section 218 of H.Con.Res. 183, in H.Rept. 107-60, p. 25.

Administration does propose different rates of increase for individual programs, however (see **Table A2** in the Appendix for a detailed program-level breakdown). In congressional testimony, the Administration has emphasized these new categories for classifying various programs, as well as certain organizational changes – programs that were initially designed for an air defense role (to shoot down missiles launched from aircraft) are being transferred from the purview of the Ballistic Missile Defense Organization to the services.³³

Debate about the Administration's missile defense program focused on the following issues:

- the foreign policy and arms control implications of the Administration's plans;
- the pace, long-range cost, design, and acquisition strategy of the Administration's program;
- the potential squeeze on other R&D efforts; and
- the blurring of the distinction between the threats posed by theater and long-range missiles as well as the defense systems to be developed to meet those threats.

In a test on July 14, 2001, which came on the heels of two previous failures, an interceptor destroyed a dummy missile warhead in space about 140 miles above the ocean. Supporters contend that these results justify accelerating the program. In response, critics suggest that the test was not realistic because there was only one rather than many decoys, and the target emitted a signal whereas the decoy did not. Such differences in interpreting test results have been common in the past.

The large increase in funding – from \$5.1 billion in FY2001 to \$8.3 billion in FY2002 – reflects the Administration's decision to accelerate R&D efforts on systems currently in development in order to deploy missile defenses as soon as possible. Some see those plans as leading to the U.S. withdrawal from the 1972 Anti-Ballistic Missile (ABM) Treaty, which could affect U.S. relations with Russia and other nations, many of whom see the treaty as the “cornerstone of strategic stability.” The issue has come to a head in the Administration's plans to begin construction of a missile defense test site in Ft. Greely near Fairbanks Alaska soon, and to test the capabilities of the Navy's AEGIS radar system (a tactical system) during a missile defense test. (See CRS Report RL30967, *National Missile Defense: Russia's Reaction*, by Amy F. Woolf.)

³³ Testimony of Lieutenant General Ronald T. Kadish, USAF, Director, Ballistic Missile Defense Organization, before the House Armed Services Committee, July 19, 2001.

**Table 8. Changes in Ballistic Missile Defense Funding:
FY2001 vs. Amended FY2002 Request**
(millions of dollars or percent)

New Program Categories/Stage	Program Names	FY2001 Estimated Funding	FY2002 Amended Budget Funding	FY2001 Share of total	FY2002 Share of total	FY2002 amended vs. FY2001 % change
Terminal	BMD Terminal segment ^a	NA	968.1	NA	12%	NA
	Patriot PAC-3	442.0	783.7	9%	9%	77%
	MEADS	52.6	73.6	1%	1%	40%
	Navy Area Defense	269.6	395.5	5%	5%	47%
	THAAD	541.0	0.0	11%	0%	NA
Terminal Subtotal		1,305.1	2,221.0	25%	27%	70%
Midcourse	BMD Midcourse ^a	NA	3,940.5	NA	48%	NA
	National Missile Defense (NMD)	1,954.9	0.0	38%	0%	NA
	Navy Theater Wide	456.4	0.0	9%	0%	NA
Midcourse Subtotal		2,411.3	3,940.5	47%	48%	63%
Boost	Boost defense segment ^a	NA	685.4	NA	8%	NA
	Airborne Laser Program (AF)	231.5	0.0	5%	0%	NA
	Space-based Laser (formerly AF)	72.5	0.0	1%	0%	NA
Boost Subtotal		304.0	685.4	6%	8%	125%
Sensors	BMD Sensors ^a	NA	495.6	NA	6%	NA
	Space Based Infrared System Low (AF)	238.8	0.0	5%	0%	NA
	International Cooperation	129.7	0.0	3%	0%	NA
Sensor Subtotal		368.5	495.6	7%	6%	34%
BMD Technology	BMD Segment ^a	NA	779.6	NA	9%	NA
	BMD Technology	NA	132.9	NA	2%	NA
	BMD support and technology	745.3	NA	15%	NA	NA
BMD Tech Subtotal		745.3	912.5	15%	11%	22%
Headquarters	BMD Headquarters	4.7	34.3	0%	0%	626%
Headquarters Subtotal		4.7	34.3	0%	0%	626%
TOTAL		5,139.0	8,289.3	100%	100%	61%

Sources: CRS calculations based on Office of the Undersecretary of Defense (Comptroller), “Department of Defense Amended Budget, Fiscal Year 2002,” (June 2001); Ballistic Missile Defense Organization, “FY2002 Amended Budget Submission,” June 2001; Ballistic Missile Defense Program, Briefing of 30 July 2001; Office of the Undersecretary of Defense (Comptroller), “Department of Defense Amended Budget, Fiscal Year 2002, RDT&E Program (R-1),” June 2001; and Office of the Undersecretary of Defense (Comptroller), “Department of Defense Amended Budget, Fiscal Year 2002, Procurement Programs (P- 1),” June 2001.

Note: Comparisons reflect April estimate for FY2001 and FY2002 Amended budget request; effects of FY2001 supplemental appropriations are not included. Funding includes RDT&E, procurement, and military construction. See Appendix A-2 for more a detailed version broken down by program element.

a. New program elements in FY2002 that include the programs listed below in that category.

The Bush program includes R&D on systems designed to intercept missiles at each stage from the initial “boost” phase, to mid-course, to the “terminal” phase of the flight. Secretary of Rumsfeld’s plan to pursue a wide range of programs, and deploy a rudimentary system as soon as possible – before the technologies are fully mature – is a new and more risky acquisition strategy that has raised concerns (See CRS Issue Brief IB10034, National Missile Defense”: issues for Congress, by Steven Hildreth and Amy F. Woolf, and CRS Issue Brief IB98028, Theater Missile Defense: issues for Congress, by Robert D. Shuey.). Some have questioned whether such an approach is merited, particularly in light of the potential effects on arms control, and the strain put on defense resources.

In congressional testimony, DOD has also emphasized the common elements in long-range, national ballistic missile defense (NMD) and short-range, theater missile defense (TMD) systems, a new approach that blurs the distinction between strategic and tactical threats and the missile defense responses to those threats. That approach concerns many, both inside and outside of Congress.

The Administration has not developed cost estimates for its new missile defense plan, and some legislators have questioned whether sufficient funding will be available in light of the overall budget squeeze, as well as other competing defense needs. For example, funding for missile defense could limit funding for other defense R&D and procurement.

Congressional Action. The HASC approved the Administration’s request for \$8.3 billion for ballistic missile defense, making only minor adjustments in funding. The Committee disapproved, however, of DOD’s proposal to transfer terminal defense programs – PAC-3, MEADS, and Navy Area Defense from the Ballistic Missile Defense Organization (BMDO) to the services because of concern that the services would not adequately fund those programs. During floor debate, the House adopted an amendment that transferred \$265 million for BMD programs (\$145 million from the Mid-Course Segment and \$120 million from the Boost Phase Segment) to combating terrorism (see above).

The SASC recommended several major changes to funding and management of ballistic missile defense.

- Establishing a new requirement that would prohibit spending for any missile defense activities that would conflict with the ABM Treaty (as determined by the President) would be contingent on Congress voting to approve such expenditures under special expedited procedures; and

- Reducing BMD funding by \$1.3 billion on the basis that funding was premature or insufficiently justified, including major cuts to the following programs:
 - Airborne laser (-\$80 million in a \$410 million program);
 - Navy Theater-wide (-\$347 million in a \$596 million program);
 - Ground-based mid course system (-\$330 million in a \$3,231 million program);
 - Space Based Infrared system - Low (SBIRS-Low) (-\$97 million in a \$385 million program); and
 - THAAD (-\$210 million in a \$909 million program); and
- Permitting DOD to reorganize the funding of ballistic missile defense into large, aggregated program elements but requiring new reporting requirements on individual programs; and
- Allowing DOD to transfer three programs previously funded by the Ballistic Missile Defense Organization (BMDO) to the individual services (i.e. PAC-3 (Army), MEADS (Army) Navy Area Defense (Navy), as well as the transfer of three Air Force programs to BMDO.

In floor action, the Senate removed the restriction on funding of activities that would violate the ABM Treaty, which was very controversial because the President has signaled that he would veto the DOD Authorization Act if that provision is included. The additional reporting requirements included by the SASC were also removed. The Senate also restored the \$1.3 billion in spending but provided that the President could allocate that funding to RDT&E for BMD or combating terrorism.

Adequacy of Funding for Procurement in FY2002

The new Administration decided to delay major changes in funding for new weapon systems pending completion of its national defense review. Presumably for that reason, the procurement budget in the amended FY2002 budget is \$61.6 billion, \$0.5 billion below last year's level.³⁴ Until the review is completed, the Administration decided to emphasize "funding of systems that will continue to be necessary even with significant shifts in defense strategy" – purchases of airlift aircraft are given as one example.³⁵ Based on that rationale, the Administration's procurement request includes only modest changes in current plans.

Limited funding procurement has already fueled concerns among some defense supporters in Congress, particularly in light of the debate in recent years about alleged "shortfalls" in long-term defense funding, particular for weapons modernization. That debate has centered on whether the spending on new weapon systems needs to be

³⁴ The new budget does leave room for some additions to procurement because the FY2001 budget included a one-time expense – \$4 billion for full funding of a carrier – which is not repeated in FY2002.

³⁵ Letter from OMB Director Mitch Daniels to the President included with the transmission of the amended FY2002 budget to Congress, June 27, 2001.

increased – and at what rate – to “recapitalize” or replace those systems as they age. Although estimates of the amount necessary to replace current systems have varied widely, there is near consensus among Members of the defense committees in Congress that some increase in the procurement budget in the near term is needed.³⁶

In recent testimony, Secretary of Defense Rumsfeld acknowledged that the current budget does not address the replacement issue. But he argued that decisions on that issue cannot be made until completion of the Quadrennial Defense Review, which will incorporate the findings of the National Defense Review. Those decisions are likely to be contentious within the Defense Department as well as in Congress, in part because changes in strategy and the “transformation” of today’s forces to meet new military goals could require a different mix of forces.³⁷ The Administration has promised that those decisions will be incorporated not only in the Quadrennial Defense Review that is to be submitted to Congress on October 1, 2001, but also in the FY2003 budget. (See **Table A3** for the number and procurement and RDT&E funding for major weapon systems requested by the Administration as well as congressional action.)

Congressional Action. The HASC added \$442 million to the Administration’s request, making minor adjustments to various programs. These changes included significant changes to the following systems:

- a \$240 million reduction to the troubled V-22 program (the Navy and Air Force variant); and
- \$154 million more for “rapid acquisition programs,” designed to incorporate innovative technologies into current acquisition programs.

The SASC made the following major changes to the Administration’s procurement request:

- \$102 million add for additional UH-60 Blackback helicopters;
- \$96 million increase for upgrades to Navy P-3 patrol aircraft;
- \$103 million add for engine upgrades for F-15 and F-16 aircraft;
- \$306 million cut to the troubled V-22 tilt rotor aircraft;
- transfer of the Chemical agents and munitions destruction program from Army procurement to a defense wide account.

³⁶ See CRS Report RL30977, *Defense Budget for FY2002: An Overview of Bush Administration Plans and Key Issues for Congress*, May 22, 2001 for a description of this debate. Estimates of the appropriate level of future procurement budgets have ranged from a high of \$111 billion to \$164 billion annually proposed by a study conducted by the Center for Strategic and International Studies in 1999 to a mid-range “steady-state” budget of \$90 billion included in a study by the Congressional Budget Office in 2000 to \$75 billion by FY2005 suggested by Secretary Cohen and senior DOD officials during the Clinton Administration.

³⁷ Tom Ricks, “For Military, ‘Change Is Hard’,” *Washington Post*, July 19, 2001.

Implications of Recent Rise in Defense Health Costs

(This section was prepared by Richard Best)

The Defense Health Program (DHP) has been a matter of considerable congressional interest in recent years because of initiatives to expand medical coverage to military retirees and their dependents and, also, because of concern about continuing cost growth, particularly for managed care contracts. The substantial increase for the Defense Health Program in the new budget reflects both additional benefits for military retirees, a 15% increase in the cost of drugs, and a 12% increase in the managed care contracts that provide care to the dependents of military personnel.³⁸ DOD spokesmen have said that these higher funding levels are designed to eliminate the practice in recent years of turning to supplementals to cover earlier, unrealistic estimates. (Some \$1.4 billion of the \$5.5 billion supplemental recently passed by Congress, was for higher-than-anticipated costs in the Defense Health Program.)

The FY2001 Defense Authorization act provided new benefits – dubbed “Tricare for Life” – for Medicare-eligible military retirees. The measure requires that the Defense Department pay the full cost of the program for current beneficiaries out of appropriated funds in FY2002, but establishes a trust fund to pay future costs, which will be counted as mandatory spending financed outside of the defense budget in later years.³⁹

In future years, the Defense Department’s cost will reflect an actuarial estimate of the cost of future benefits for current personnel, the same approach now used for retirement benefits. There is great uncertainty about the size of those estimated, future costs.⁴⁰ If the estimated costs are smaller than the \$3.9 billion included for these benefits for Medicare-eligible military retirees in the FY2002 budget, the pressure on DOD’s budget created by the Defense Health Program may subside in later years. Otherwise, DOD could continue to face significant, or even additional pressure on its total resources because of the obligation to provide this new benefit.

Meanwhile, the costs of other medical care in DOD continue to increase, and just as importantly, the Defense Department has seldom been able to project its required expenditures accurately. According to one congressional committee, the Defense Department has requested either substantial reprogramming of funds or supplemental appropriations to meet unbudgeted health care costs for 12 of the past 16 years.⁴¹

³⁸ DOD Press Briefing of June 27, 2001, p. 14.

³⁹ Although the Treasury will finance the costs of current beneficiaries, the Defense Department will have to pay into the trust fund annually to cover the cost in the future of this benefit for current personnel.

⁴⁰ The DOD actuary will estimate those costs, which will have to be included in DOD’s budget beginning in FY2003.

⁴¹ House Appropriations Committee, Report to Accompany H.R. 2216, Making Supplemental Appropriations for FY2001, H.Rept. 107-102, p. 10.

Faced with both the obligation to provide more extensive benefits and rapidly rising costs, senior DOD officials have suggested that Congress may want to consider transferring other defense health costs to the mandatory side of the overall federal budget to relieve this pressure. Although such a transfer would free up resources in the defense budget, the government would, of course, still pay those costs.

Along with the economy-wide pressure on medical costs from rising drug costs and technological advances, DOD's health care system lacks mechanisms such as copayments that restrain the usage of medical services.⁴² With removal of most copayments for active-duty beneficiaries, and only modest copayments for retirees, DOD cannot rely on the tools that are typically used in the civilian sector to restrain health care usage and, thus, contain costs.

Congressional Action. The HASC and the SASC both endorsed the Administration's request for the Defense Health.

Spending for Operation and Maintenance and Readiness

The amended FY2002 defense budget request includes an increase of \$17.7 billion in spending on operation and maintenance. Of that total, about \$2 billion is additional funding for flying hours, steaming hours, and training, the funding that is most clearly related to military readiness. (Day-to-day training of operational units, or operational tempo, is typically referred to as "optempo," a shortened version of the term.) Other funding increases with a direct effect on readiness would include depot maintenance – ensuring that weapon systems are available for training.⁴³

A large share of the increase in the O&M budget this year, however, is for objectives that may not contribute so directly to military readiness. Some \$6.3 billion is for the Defense Health Program (see discussion above). Although better benefits for retirees may contribute, in some fashion, to the morale of some military personnel, showing a direct effect on readiness would be difficult. The other major increase in the O&M budget is to upgrade the facilities on military installations. DOD justifies those increases as a readiness-related expense – a way to improve the morale of military personnel by improving the quality of their workplace – but it may be difficult to show how such spending directly affects the readiness of units to go to war.

Although Congress has generally been supportive of increases in the O&M budget, the size of the increase this year could trigger some debate about whether all of the increase is necessary. Despite continued growth in O&M in recent years, complaints from many parts of the military force structure about a lack of experienced personnel in key specialties, and shortfalls in funds for training, spare parts, weapons

⁴² CBO, "Budget Options for National Defense," Option 4-08 and Option 4-09, pp. 73-74. Although those options refer to beneficiaries who use military health care facilities, the argument could also be applied to Medicare-eligible retirees who receive the new benefits under the "TRICARE for life" program.

⁴³ See slide entitled "Operation and Maintenance" that is included in DOD Press Briefing on the FY2002 Budget, June 27, 2001.

maintenance, and other areas have become increasingly intense. Readiness indicators, however, have improved only marginally, if at all, raising the question of whether readiness-related problems are amenable to budgetary fixes.

Another factor frequently cited as harming the readiness of military units is the effect of the ongoing pace of military operations, particularly contingency operations. The services have suggested that these operations create considerable strains on both training and personnel. The quality of military personnel is also a key determinant of military readiness. It remains unclear, however, whether retention problems, are, in fact, related to contingency operations.

Another issue that could be raised this year is whether the Administration's emphasis on O&M and military personnel spending to "fix" immediate problems in military readiness will 'crowd-out' other needs – particularly funding for new systems that will "transform" military operations in the future. From that perspective, the proposed spending for O&M, some of which may be difficult to reverse, could be perceived as limiting future options.

Congressional Action. The HASC funded all of the O&M request except for \$1.3 billion. Stating its support for readiness-related funding for operational training, depot maintenance, and training, the cuts by the HASC were in administrative and service-wide activities, the 'overhead' portion of O&M. The SASC provided the full amount of funding but redistributed funds among activities, taking cuts for mis-estimates of costs, such as civilian pay and foreign currency, and adding funds to other areas.

Other Important Issues

Personnel-Related Issues

Military Recruiting, Retention and Compensation. (This section was prepared by Robert Goldich.) Like the Clinton Administration in recent years, the Bush Administration has emphasized pay and benefits for military personnel. In February, President Bush announced that he would request a 4.6% pay raise for military personnel, with additional increases targeted to particular skills and grades. In Congress, some legislators have proposed a larger pay raise than the Administration wants, and the House recently approved an increase in GI Bill education grants. Congress is again considering a proposal to repeal a statute which requires that any Department of Veterans' Affairs (VA) disability compensation received by a military retiree must be offset by an equivalent reduction in DOD retired pay.

Increases in military pay and benefits in recent years have been a response, in part, to problems in recruiting and retaining sufficient numbers of qualified military personnel that began in the late 1990s. Frequently cited reasons include (1) competition for qualified workers from a growing economy; (2) a rise in consumer living standards against which military families measure their own quality of life; (3) increased military operations and training away from home and family; (4) a decreased

propensity for military service among young people; and (5) the availability of federal educational assistance that does not require military service. Although recruiting improved in 2000 and 2001, with the services meeting or exceeding their goals, few if any observers feel that long-term solutions have been found.

Congressional Action. In their markups, the House and Senate Armed Services Committee endorsed the Administration's proposal to expand compensation increases of recent years, including the following actions:

- Accepting the Administration proposal for a January 1, 2002 basic pay raise of between 5% and 6.5% for commissioned officers, 7% and 15% for warrant officers, and 6% to 13% for enlisted personnel, with the greatest increases being in the middle officer and enlisted grades. This is an increase over the 4.6% that the permanent statutory formula would provide.
- Increasing the proportion of housing costs that are reimbursed.
- Increasing reimbursements for a wide range of moving costs.

In addition, both Committees added certain benefits.

- Authorizing officer accession bonuses for some officer candidates (\$up to \$100,000 proposed by the HASC and \$20,000 by the SASC);
- Increasing the maximum age of college ROTC scholarship recipients to 35 at commissioning (HASC);
- Creating a new re-enlistment bonus of up to \$30,000 in U.S. savings bonds for those with critical skills who agree to serve at least six additional years of active duty (SASC);
- Allowing military personnel with critical skills to transfer up to 18 months of Montgomery GI Bill benefits to family members in return for serving at least another four years.

In a matter with major implications for both government-wide and DOD funding that is of great interest to military retirees, both the House and the Senate authorizing committees would also repeal a statute that requires that those military retirees who receive VA disability compensation must take an offset to their military retirement that is equal to their VA disability payment. Some military retirees with disabilities are entitled to higher retirement compensation levels than other military retirees.

Under the proposal, military disability retirees would receive that part of their retired pay to which they would be entitled even if they were not disabled. The portion of their retired pay which is due entirely to their disability would be reduced by any VA compensation that they received. Under the committee versions, this authorization of "concurrent receipt" of the two benefits would become effective, however, only if the President submitted a budget proposal to offset the mandatory spending costs of the change in law, and if Congress enacted legislation to provide

such an offset.⁴⁴ On the Senate floor, however, an amendment was adopted, which provided that concurrent receipt would be considered an entitlement program that would go into effect on October 1, 2002. That change would trigger an additional \$3 billion in mandatory spending in 2002 and \$40 billion in spending over the next ten years as well as requiring that DOD provide an additional \$1 billion annually.

Social Issues. (This section was prepared by David Burrelli.) Social issues are frequently matters of debate in the defense authorization and (to a lesser extent) appropriations process. This year, there could be efforts to revisit the current policy under which, in all services except the Marine Corps, males and females receive basic training together. Efforts to expand the availability of abortion services to members of the armed forces and their dependents have become a matter of annual debate. On other gender-related issues, Congress required last year that DOD notify Congress in advance of any plans to change the current policy of assigning only males to duty on submarines. Finally, according to press accounts, a panel reviewing the Uniform Code of Military Justice (UCMJ) has concluded that sodomy between consenting adults should not be prohibited under the code. Changes to the UCMJ would require congressional action.

Congressional Action. On September 25th, by a vote of 217-199, the House rejected an amendment offered by Congresswoman Sanchez that would have allowed DOD facilities overseas to perform privately-funded abortions for military personnel and their dependents.

Major Weapons Issues

The Administration's FY2002 budget does not reflect decisions on major weapons programs, but is largely a continuation of previous plans. This leaves unresolved two key budget issues – (1) how much is needed for weapons procurement over the next several years and (2) whether some programs should be terminated to free up money for leap-ahead technologies that would support a transformation in defense capabilities.

Aviation Forces. (This section was prepared by Christopher Bolkcom.)

Air Force Transformation. Many airpower advocates argue that the Air Force's emphasis on long range precision strike and stealth technology best reflects the goals of defense transformation. The debate about the Air Force's transformation approach is likely to center on 1) whether emerging capabilities will enable air forces to "halt" enemy ground forces single-handedly, without relying on U.S. ground forces for followup; and 2) what is the most effective balance between shorter-range combat aircraft (e.g. F-22, Joint Strike Fighter) and longer-range combat aircraft (B-52s, and B-2s) in light of the threats posed by surface-to-air missiles, ballistic missiles, and weapons of mass destruction.

⁴⁴ If this provision were enacted and funded, the accrual funding for military retirement would increase.

Combat Aircraft. Currently three theater-range combat aircraft modernization programs are in procurement or development – the Air Force F-22, the Navy F/A-18E/F, and the multi-service Joint Strike Fighter (JSF). (See CRS Issue Brief IB92115.) The central issue for policy makers is whether DOD can afford to pursue all three programs simultaneously, an issue raised by President Bush himself in an impromptu discussion with reporters, and whether threats today or in the future would justify the need for these three programs.

Of the three, many observers speculated that the JSF program might be the most likely to be terminated, in part, simply because it is the least far along in the acquisition process. Moreover, some advocates of defense transformation argue that DOD is placing too much emphasis on short range combat aircraft, like the JSF, at the expense of long range combat aircraft like the B-2 bomber. Most recently, however, one of the panels contributing to the Administration's defense policy review strongly recommended going ahead with the JSF as well as with other planned theater aircraft programs.

Congressional Action. Congressional authorizers were split on their oversight of the JSF, with the HASC funding the administration's request, and the SASC reducing the program's \$1.5 billion in funding by \$247 million in expectation of a likely delay in the selection of the final contractor, and because the Quadrennial Defense Review, which may examine modernization decisions, is not yet complete. On September 25, the House passed an amendment that increased funds available for F-22 testing by \$250 million.

Long-range Bombers. The proposal in the Administration's FY2002 budget amendment to reduce the number of B-1s in service from 93 to 60 and to consolidate operations at two, rather than the current five bases has already sparked controversy in Congress, with opposition from some legislators in states where B-1 operations will be reduced. (See CRS Report RS20859.) Restarting B-2 production, retiring the B-1 entirely, and embarking on a new bomber program have also been discussed.

Congressional Action. Both the HASC and the SASC expressed concern about the Administration's proposal to consolidate basing of B-1s, and restored funds to the Air National Guard to maintain its B-1 capabilities.

Unmanned Aviation Systems. An area associated with military transformation, unmanned aviation systems may also be a focus of congressional attention this year. Unmanned aerial vehicles (UAVs) and unmanned combat aerial vehicles (UCAVs) are seen as useful in performing missions too dangerous or too onerous for manned aircraft, potentially at less cost. The high altitude, long endurance Global Hawk surveillance UAV will augment and may replace the U-2, and UCAVs in research and development (R&D) may eventually augment or replace numerous combat aircraft. The precise capabilities of these unmanned systems are still unclear as is the pace at which they will be developed. (See CRS Report RL30727 and CRS Report RL31014.)

Air Mobility. A recent Air Force study found a significant shortfall in the long-range airlift fleet's ability to meet the current national military strategy. The ongoing strategy review, and a possible redefinition of the national military strategy, could

affect this issue. The best way to resolve a shortfall – either through procurement of additional C-17s or refurbishing some C-5s – may be debated. Increased use of commercial variants is also being explored (See CRS Report RS20915.) Replacing aging KC-10 and KC-135s that provide aerial refueling, a key capability for expeditionary operations, is also a matter of growing concern. Recapitalizing this fleet is potentially a \$50 billion dollar endeavor. (See CRS Report RS20941.)

Congressional Action. Both committees endorsed the Administration's request for an additional 15 C-17 aircraft in FY2002, and also added a provision authorizing the Secretary of the Air Force to enter into another multiyear contract.

V-22 Tilt-rotor Aircraft. Another controversial aviation program is the V-22 tilt-rotor aircraft (that takes off and lands like a helicopter but flies like an airplane). The centerpiece of Marine Corps plans to transport forces within theaters, this program is also designed to satisfy Air Force special operations forces needs. The program has been blemished by four crashes, (three of which resulted in crew fatalities), as well as recent findings by DOD's Inspector General that V-22 maintenance records were falsified. Critics have suggested cancelling or drastically curtailing the V-22 program. A senior panel of experts, however, recently recommended delaying full-rate production in order to address deficiencies, decisions reflected in the FY2002 budget.

Congressional Action. Both authorizing committees reduced the Administration's request.

Naval Forces. (This section was prepared by Ronald O'Rourke.)

Naval Transformation. Navy transformation plans center on the concept of network-centric warfare (NCW), which entails using computers, data links, and networking software to tie naval personnel, ships, aircraft, and installations into highly integrated networks. The defense committees have closely followed certain Navy programs for implementing NCW, particularly the Cooperative Engagement Capability (CEC) program for ship air defense and the Navy-Marine Corps Intranet (NMCI) program for tying together Navy and Marine Corps shore installations. The defense oversight committees may also seek to review other proposals for naval transformation, such as the "Streetfighter" concept for building smaller ships to fight in heavily-defended littoral waters. Some have suggested that turning to these types of smaller (and less expensive) ships could help relieve the pressure to maintain the current size of the fleet. (See CRS Report RS20851 and CRS Report RS20557.)

Size of the Navy. As part of the 2001 Quadrennial Defense Review (QDR), the Bush Administration is reviewing the planned size of the Navy and the rate of Navy ship procurement. Some analysts have questioned the need for maintaining forward deployments of carriers and other naval forces in the Mediterranean Sea. Reducing naval-forward presence requirements in this region could lead to a reduction in the planned size of the Navy.

Members of the defense oversight committees are concerned about whether the current plan for a 310 ship Navy is adequate to carry out the Navy's peacetime presence and crisis-response missions. Navy officials have stated that the fleet is

currently stretched thin and that a force of about 360 ships would be required to fully meet current Navy missions.

Secretary Rumsfeld has echoed concerns raised by the defense committees in recent years about the rate of Navy ship procurement, which has been about 6 ships per year since the early 1990s, less than the average of about 9 ships per year (assuming an average 35-year service life) that would be needed over the long run to maintain a 316-ship fleet (the so-called steady-state replacement rate). An even higher procurement rate of 10 to 12 ships per year (a “catch-up rate”) may be required to eliminate the backlog of deferred ship procurement that has accumulated relative to the steady-state rate since the early 1990s. (See CRS Report RS20535.)

Ship Financing Alternatives. In the last two years, Members of the defense oversight committees have begun to explore alternative ways to finance ship procurement. Under current policy, known as the “full funding” policy, the full cost of a ship is appropriated at one time, even though funds may be obligated and expended over several years. Alternatives to full funding include incremental funding, which has been approved for the LHD-8 amphibious ship, and advance appropriations (which can be thought of as a legislatively locked-in form of incremental funding), which some Navy officials have proposed in recent months.

Cost Overruns and Schedule Delays. Various ships procured in previous fiscal years have experienced cost overruns totaling, by the Navy’s most recent estimate, about \$2.4 billion. The Navy is seeking \$800 million in FY2002 to cover the portion of these overruns that the Navy says must be covered that year if work on these ships is to continue. In assessing this request, Congress may examine the causes for these overruns and whether the Navy has taken adequate steps to prevent further overruns in the future.

New Aircraft Carrier and DD-21 Destroyer Programs. Some press reports have suggested that the Bush Administration’s defense review could lead to a recommendation to cancel or restructure the Navy’s CVNX next-generation aircraft carrier program or the Navy’s DD-21 next-generation destroyer program. Concerns among CVNX and DD-21 supporters were reinforced by the findings of panels on defense transformation established by Secretary of Defense Rumsfeld, which concluded that neither the CVNX nor the DD-21 were as transformational as other defense programs, and by the Navy’s decision to delay its selection of the winning design for the DD-21. CVNX and DD-21 supporters in Congress and elsewhere have defended the cost-effectiveness of large-deck aircraft carriers and the merits of the CVNX and DD-21 as “leap-ahead” systems that will contribute to naval transformation. (See CRS Report RS20643 and CRS Report RS20698.)

Submarines. The Bush Administration’s amended FY2002 budget contains \$116.4 million to begin converting two Trident ballistic missile submarines (SSBNs) into cruise-missile submarines (SSGNs), and additional funds to retire and dismantle two other Trident SSBNs. Congressional supporters of the SSGN conversion program would like to convert all four Tridents.

Congressional Action. The HASC recommended increasing funding for the Trident SSGN conversion program to \$167.4 million. The \$51 million increase would

finance planning for two additional SSGN conversions but would not cover the FY2002 cost to actually begin the conversion work on the two additional boats. The SASC recommended a net increase of \$307 million for the program – enough to support the FY2002 funding needs of a four-boat conversion program. (See CRS Report RS21007.)

Ground Forces. (This section was prepared by Edward Bruner.)

Army Transformation. The Army’s current transformation plans are reflected in the amended FY2002 budget. The goal is to build a new “Objective Force” centered on a Future Combat System to be developed over the next ten years, that would be fully fielded by 2020. More controversial may be the size of the Army’s “Legacy Force”, the current mix of light and heavy forces. The Army plans some modernization and recapitalization of this “Legacy Force” to maintain combat readiness. In the meantime, to meet the need for forces that would be both mobile and yet lethal enough to survive in a high-intensity, fast-breaking conflict that could arise in many regions – a gap in the current mix of forces – the Army is creating an “Interim Force” of 6 to 8 Interim Brigade Combat Teams (IBCT) that would be deployable in C130 aircraft. (See CRS Report RS20787.)

Congressional Concerns. Some might question whether a major effort to transform ground forces should be a priority today, given the current superiority of U.S. military forces and a perceived low-level of conventional ground-combat threats. In particular, there is great concern that transformation be properly balanced with current readiness and recapitalization.

Even if future dangers justify a transformation, has the Army picked the right path? Perhaps it need not cover the entire spectrum of combat capabilities, leaving more tasks to other Services. Perhaps the Objective Force should create less stress on airlift assets by relying more on sealift. Some have suggested that a radical reorganization of current units could yield a more agile ground component for joint strike forces now, long before any Future Combat System is fielded.

Affordability is a second major question. Critics have suggested that the transformation plan pays for three separate armies at once: the Legacy, Interim, and Objective Forces. The Army’s counterargument is that the overall size of the Army’s force structure remains constant. Still, the Army Chief of Staff has testified that Army plans require a sustained increment of \$10 billion annually beyond its average post-Cold War expenditures for R&D and procurement. Although generally supporting initial Army transformation efforts, Congress raised one caution in the FY2001 Defense Authorization Act by requiring comparative testing of on-hand equipment (such as the tracked M113A3) with the new wheeled LAV III for the Interim Force.

Weapon Systems Issues. A key aviation component of the future Objective Force, the Army’s Comanche (RAH-66), an armed reconnaissance helicopter, is being designed with stealth and other advanced features, and will replace aging helicopters. (See CRS Report RS20522.) Scheduled for operational testing in FY06, the Army is requesting almost \$800 million for FY2002. A more controversial system because of its weight, the 40-ton Crusader is designed to improve fire support in the Legacy Force, and scheduled to reach the field in 2008.

The largest effort to recapitalize the Legacy Force is the \$1 billion requested in FY2002 to rebuild and upgrade the current fleets of M1 Abrams tanks and M2 Bradley fighting vehicles. Some of that money is dedicated to “digitizing” the battlefield in order to enable systems to operate in computer nets, an improvement that the Army eventually wants to include in all its systems in the Objective, Interim, and Legacy forces. A \$4 billion program over six years, the Army’s new Light Armored Vehicle III – a 20 ton wheeled platform – is intended to be the linchpin for equipping the new IBCTs of the Interim Force.

Defense R&D Spending

(This section was prepared by Jack Moteff.)

In its June 27 budget amendment, the Bush Administration requested \$47.4 billion in research and development for the Department of Defense (DOD) in FY2002, almost \$7 billion more than the 2001 level. About half of that increase is slated for missile defense, however. The Bush Administration has proposed increasing DOD’s research and development by \$20 billion over the next 5 years.

Table 9 below shows the total obligational authority for RDT&E over the last three years, the amended FY2002 request, and HASC and SASC action. Funding for DOD’s Science and Technology (S&T) part of the RDT&E program (i.e. basic and applied research and advanced technology development), traditionally a Congressional concern, would be slightly below last year’s level (\$8.8 billion as compared to \$9 billion). The Administration’s goal is to keep S&T funding at between 2.5% to 3% of DOD’s total R&D budget.

The Administration has stated that it wants to redirect investments away from legacy systems and toward more forward-looking systems. Examples would include: lasers, nanotechnology, space-based systems, miniaturization, and unmanned combat platforms. Also, if base closure is revisited this year, consolidation of defense laboratories may return as an issue.

Congressional Action. Both authorizing committees increased total funding for RDT&E, and for Science and Technology programs in particular - \$9.1 billion in the HASC and \$9.0 billion in the SASC markup. The SASC also reduced funding for BMD programs by \$1.3 billion. In floor action, however, the Senate restored that decrease but permitted the President to allocate the funds either to BMD programs or to combating terrorism. The House reduced funding for BMD by \$265 million, transferring that funding to combating terrorism.

Table 9. Department of Defense RDT&E: Total Obligational Authority
(in millions of dollars)

	FY1999 Actual	FY2000 Actual	FY2001 Estimate	FY2002 Amended Request	HASC	SASC
Accounts						
Army	5,031	5,314	6,280	6,694	6,749	6,899
Navy	8,942	9,065	9,458	11,123	10,863	11,136
Air Force	13,732	14,527	13,993	14,344	14,456	14,481
Defense Agencies	10,093	9,551	11,053	15,051	15,375	13,878
(DARPA)	(1,888)	(1,850)	(2,010)	(2,281)	(2,157)	(2,309)
(BMDO) ^a	(3,910)	(3,457)	(4,204)	(7,036)	(7,471)	(5,741)
Dir. Test & Eval	258	265	--	--	--	--
Dir. Op. Test/Eval	47	31	225	217	217	217
Total Obligational Authority	\$38,103	\$38,753	\$41,009	\$47,429	47,660	46,616
Budget Activity						
Basic Research	1,063	1,139	1,317	1,304	1,319	1,319
Applied Res.	3,057	3,409	3,676	3,659	3,655	3,775
Advanced Dev.	3,453	3,789	4,000	3,815	4,093	3,889
Demonstr./Valid.	7,364	6,514	7,830	11,381	11,767	10,192
Engrg/Mftg. Dev.	7,646	8,879	8,735	10,249	9,870	10,042
Mgmt. Support ^b	2,553	3,076	2,634	3,003	2,792	2,848
Op. Systems Dev.	11,967	11,947	12,816	14,235	14,164	14,552
Total Obligational Authority^c	\$38,103	\$38,753	\$41,008^c	\$47,429	47,660	46,616

Source: FY2000 to FY2002 figures based on Department of Defense *Amended Budget, Fiscal Year 2002 RDT&E Programs (R-1)*, June 2001. FY1999 figures from Department of Defense, *Budget for Fiscal Year 2000, RDT&E Programs (R-1)*, February 2000. Totals may not add due to rounding.

- a. Includes only BMD RDT&E. Does not include procurement and military construction.
- b. Includes funds for Developmental and Operational Test and Evaluation.
- c. Does not include the additional funds and rescissions associated with the FY2001 Supplemental P.L. 107-20. The bill added \$5 million to the Army, \$128 million to the Navy, \$275.5 million to the Air Force, and \$84.1 million to Defense Agencies RDT&E accounts. The bill also rescinded \$7 million from the Defense Agencies account.

Cyberwarfare, Chemical Weapons Destruction, and Cooperative Threat Reduction

Cyberwarfare. (This section was prepared by Steven Hildreth.) Considered by some to be part of homeland defense, cyberwarfare – defined as defending the U.S. against electronic attacks against information and computer networks and possibly launching such attacks on adversaries – is likely to receive a growing amount of attention particularly after the September 11 terrorist attack. These activities are also referred to as part of protection of critical infrastructure. While there is widespread consensus among U.S. decision makers and military leaders about the potential need to protect critical U.S. infrastructure as well as military assets (e.g., telecommunications grids, transportation and financial networks, and energy supplies and pipelines), there are few obvious solutions. (See CRS Report RL30375 and the CRS Electronic Briefing Book on Terrorism [<http://www.congress.gov/brbk/html/ebter1.html>].)

Cooperative Threat Reduction. (This section was prepared by Amy Woolf.) Established by Congress in 1991 after the collapse of the Soviet Union, the Nunn-Lugar Cooperative Threat Reduction Program (CTR) is dedicated to help Russia and the former Soviet republics safeguard, store, or destroy their nuclear weapons. After a comprehensive review, the Bush Administration requested \$403 million, slightly below the 2001 level.

Congressional Action. The HASC and the SASC approved the Administration's request for DOD's CTR programs, including funding for construction of a chemical weapons destruction facility in Russia that had been eliminated last year. The HASC also authorized the \$773 million in funding for the Department of Energy's nonproliferation programs with Russia proposed by the Administration; the SASC added \$57 million. A January 2001 report to DOE, authored by former Senator Howard Baker and Lloyd Cutler, recommended sharp increases in funding for these programs, calling the proliferation risks created by nuclear materials in the former Soviet Union the "greatest unmet national security need" for the United States, and recommended a sharp increase in funding. The HASC and the SASC also approved the Administration's request for two DOE programs designed to provide alternative employment for nuclear weapons scientists in the former Soviet Union that are funded in the Energy and Water appropriations bills, which have been passed by both chambers.

Chemical Weapons Destruction Program. (This section was prepared by Steve Bowman.) Established in 1985, the funding request for the Chemical Weapons Destruction program is \$1.1 billion in FY2002, about the same level as in the previous year. In 1985, Congress directed the destruction of the obsolete U.S. chemical weapons (CW) stockpile. The chief issues in this program are escalating costs, public concerns about methods of destruction, and the effectiveness of U.S. assistance to Russia in its efforts to destroy chemical weapons. The Chemical Weapons Convention, ratified by United States in 1997, mandated that destruction be completed by 2007, with a possible extension of five years if approved by the Organization for the Prohibition of Chemical Weapons. Incineration or neutralization facilities are being constructed at each depot where the weapons are currently stored.

(See CRS Issue Brief IB94029, *The Chemical Weapons Convention: Issues for Congress*.)

Congressional Action. The HASC reduced the Administration's request by \$75 million on the basis of affordability and the SASC approved the full request.

Military Bases, Defense Management, and Defense Industry

Base Closure and Realignment. (This section was prepared by David Lockwood.) An important issue for Members in the 107th Congress will be whether or not to authorize new rounds of military base closures.⁴⁵ For the past four years, DOD has sought congressional approval for one or two more rounds of base closures, but to no avail. Although most Members of Congress acknowledge the need for additional base closures, Members are reluctant to authorize additional rounds because of continued resentment over President Bill Clinton's controversial 1995 intervention in the closing of McClellan Air Force Base in California and inherent concern for the economic and social dislocations that local communities would face. By the end of FY2001, DOD will have completed implementation of the 1988, 1991, 1993, and 1995 rounds as scheduled. About 451 installations and facilities have been closed or affected in some fashion during the past 12 years.

On August 3, the Administration submitted a proposal to Congress for another round of base closures in FY2003, and a new "Efficient Facilities Initiative" (EFI). The Administration's proposal made significant changes to the composition and procedures used by previous base closures. The EFI is a wide-ranging proposal that would permit base commanders to waive current regulations and statutes and contract with public or private entities for use of military facilities and services in return for payments that would be deposited in an Installation Efficiency Project Fund that would be available to the Secretary of Defense to use at his discretion.

Congressional Action. The HASC did not address the Administration's request for another round of base closures or its new EFI proposal. Convinced that another round of closures would save funds that could be better used elsewhere, the Senate Armed Forces Committee endorsed another round of base closures in 2003, adopting the composition of the commission and procedures used in previous rounds. The SASC also authorized a four-year pilot program for the Administration's Efficient Facility Initiative, but required 30-day advance, notification of proposed projects, including approval in statute of any waivers of current law, and Congressional approval of use of funds that may be garnered by participating bases. An amendment to remove the SASC authorization of another round of base closures in 2003 was rejected on the Senate floor.

Defense Management and Business Operations Reform. (This section was prepared by Valerie Grasso.) The new Administration is promising to mount ambitious efforts to improve efficiency by relying on the method that DOD also pursued under the Clinton Administration – competitive sourcing – where private companies can compete with government organizations to perform work. Conducted

⁴⁵ "Closure" is often used as a generalized term including realignment.

under the rules established by OMB Circular A-76, the program remains controversial because estimates of savings are considered problematic, and the economic, social and political ramifications from cuts in government jobs are painful. In the next several months, Congress will receive several studies, which address those issues – providing information on savings achieved, the level of contractor employment, and the transfer of workload from government to contractor personnel. (See CRS Report RL30392, *Defense Outsourcing: The OMB Circular A-76 Policy*, and CRS Issue Brief IB96022, *Defense Acquisition Reform: Status and Current Issues*, both by Valerie Bailey Grasso.)

Congressional Action. The HASC markup recommends a reduction in the defense acquisition and support workforce of 13,000 in FY2002. The Committee also expressed concern about the recent practice of hiring full-time contractors to perform defense acquisition functions while reducing the number of defense acquisition workforce personnel. Citing Secretary Rumsfeld's testimony that savings of 5% should be achievable from improvements in management, the SASC included a general provision that reduces overall DOD funding by \$1.6 billion for anticipated savings. The SASC looked for savings particularly in better management of DOD's \$50 billion in service contracts. The SASC did not support a reduction in the number of acquisition personnel. The House passed an amendment that would require that winning bids by private contractors be at least 10% below the government's in-house bids in A-76 competitions.

Shipbuilding Industrial Base. (This section was prepared by Ronald O'Rourke.) The six private-sector shipyards that build the Navy's major ships are currently owned by three organizations – General Dynamics Corporation (GD), which owns three of the yards, Northrop Grumman Corporation (NOC), which owns two of them, and Newport News Shipbuilding (NNS), which is an independent, publicly traded shipbuilding company. Both GD and NOC have recently made offers to buy NNS. Implementing either merger proposal would consolidate ownership of the six yards under two organizations and very possibly end a process of consolidation in the ownership of these yards that began in 1995. The Department of Defense and the Department of Justice are currently reviewing both merger proposals. These merger proposals raise issues for Congress regarding the potential savings they would generate and their potential impact on competition in Navy ship acquisition, on the shipyards' employment levels, and on the shipyards' strength in the political process. (See CRS Report RL30969.)

Navy Live-Fire Testing at Vieques. (This section was prepared by Ronald O'Rourke.) On June 14, 2001, the Bush Administration announced that it had decided to end military training operations at the U.S. naval training range on the small Puerto Rican island of Vieques by May 2003. The Navy is looking for alternative ways to train at alternate locations. The new Bush Administration plan supercedes a January 2000 agreement between President Clinton and the previous Governor of Puerto Rico, Pedro Roselle, that called for holding a referendum on Vieques in November 2001 in which voters could choose to either end the military's use of the range by May 2003 or allow it to continue indefinitely beyond that point.

The Bush Administration's plan has been criticized both by military supporters (who fear that it will reduce the readiness of U.S. naval forces and complicate the

U.S. ability to maintain access to other overseas training ranges) and by opponents of continued training on the island (who want to end the operations immediately).

Congressional Action. In its report on the defense authorization bill (H.Rept. 107-194), the House Armed Services Committee included a provision (Sec. 1402) that would (1) cancel the November 2001 referendum, (2) require naval training to continue at Vieques until Navy and Marine Corps leaders certify that an equal or superior training location exists and is available for use; and (3) if an alternative site is found and the Vieques range is closed, retain all Navy land on Vieques for Defense Department use in case of national emergency, to be managed in cooperation with the Department of the Interior. (See CRS Report RS20458, *Vieques, Puerto Rico Naval Training Range: Background and Issues for Congress.*)

Space, Intelligence and Communications Issues

National Security Space Programs. (This section was prepared by Marcia Smith.) Today, approximately \$14.5 billion per year is spent on national security space activities (for an overview, see CRS Issue Brief 92011, *U.S. Space Programs: Civil, Military, and Commercial*, by Marcia Smith). Concern about how DOD and the intelligence community manage and execute space programs led to creation by Congress of a commission, chaired by now Secretary of Defense Donald Rumsfeld, to assess national security space program management. In May 2001, Secretary Rumsfeld announced a number of management changes in the Air Force and DOD to implement many of the Commission's recommendations. Recommendations made by two other congressionally created commissions—one on the National Imagery and Mapping Agency (NIMA); the other on the National Reconnaissance Office (NRO)—may also impact the national security space program.

Among the national security space programs receiving special attention this year are space control, space-based weapons for missile defense, and a new early warning satellite system, which has two sets of satellites, one in high orbit (SBIRS-High) and another in a low orbit (SBIRS-Low). Both SBIRS programs have been the subject of management concerns in recent years, and SBIRS-Low is being transferred from the Air Force to BMDO in FY2002. Space control refers to the means to deter and defend against hostile acts directed at U.S. space assets, and against the uses of space hostile to U.S. interests. It could include the development of antisatellite (ASAT) weapons. The prospect of using weapons against satellites, or basing weapons in space as part of a missile defense program, has been very controversial.

Congressional Action. The HASC codified some of the recommendations of the Space Commission adopted by DOD to improve management of its space program. Of the \$33 million requested by the Administration for space control, the HASC approved \$23 million – still an increase over \$8 million in the previous year – and the SASC approved the request. Both the HASC and the SASC cut the Administration's \$165 million request for research into space-based lasers by \$28 million. The committees also cut DOD's \$20 million request for kinetic energy weapons research – the HASC by \$10 million and the SASC by \$15 million. Both committees also cut the \$385 million request for SBIRS-Low (by \$25 million in the HASC for all BMD sensors, and by \$97 million in the SASC); those funding levels are still substantially

higher than the FY2001 level of \$239 million. Both committees approved the funding for SBIRS-High, including \$405 million in RDT&E and \$94 million for procurement.

Intelligence. (This section was prepared by Richard Best.) Most of the funding for the nation's intelligence effort is provided in national defense authorization and appropriations bills. The budget of the Central Intelligence Agency, which is separate from the Defense Department, is, from a practical standpoint, overseen by the two intelligence committees, but is included in various parts of the defense budget to preclude public disclosure.

The work of intelligence agencies that are part of the Defense Department, including the Defense Intelligence Agency, the National Security Agency, the National Reconnaissance Office, and the National Imagery and Mapping Agency, is overseen by armed services and defense appropriations committees as well as by the two select intelligence committees. Budgetary allocations for specific intelligence programs are usually classified and discussed only in separate annexes to committee reports that are not available to the public, though issues sometimes may become matters of open debate in Congress. (See CRS Issue Brief IB10012, *Intelligence Issues for Congress*, by Richard A. Best, Jr.).

Congressional Action. Changes to specific programs made by the authorizing committees are covered in a separate, classified annex to their reports.

Radiofrequency Spectrum for DOD. (This section was prepared by Lennard Kruger and Linda K. Moore.) The Department of Defense uses various portions of the radiofrequency spectrum to support its operations and activities. Many in the wireless communications industry would like to use part of this spectrum for deployment of a next generation wireless service known as "3G". That portion of the spectrum – the 1755-1850 MHz - is currently used by DOD for such applications as satellite systems, precision guided munitions, tactical radio relay communication systems, air combat training systems, targeting, intelligence, and other communications systems.

Citing a shortage of available spectrum for 3G, the Clinton Administration directed the two agencies charged with management of the spectrum – the Federal Communications Commission for commercial users and the National Telecommunications and Information Administration for federal government users – to identify suitable 3G spectrum for commercial services by July 2001, and to auction licenses to competing applicants by September 30, 2002. On June 26, 2001, however, FCC Chairman Michael Powell recommended to Secretary of Commerce Donald Evans the extension of this deadline so that other ways to make additional spectrum available for advanced wireless services could be considered.

One option is to relocate DOD to other frequency bands and auction the 1755 - 1850 MHz band for commercial use. To meet requirements in the FY1999 and FY2000 DOD's authorization acts, DOD must be reimbursed for relocation costs and provided with spectrum that has comparable technical capabilities so there is no loss of mission capability in case of any transfer to the civilian sector. (See CRS Report RL30829, *Radiofrequency Spectrum Management: Background, Status, and Current*

Issues, and RS20993, Wireless Technology and Spectrum Demand: Third Generation (3G) and Beyond).

DOD now contends that full migration to another frequency band could take many years because satellites currently in orbit cannot be reprogrammed to operate on another frequency. For that reason, they argue that relocation could not occur until 2010 for non-space systems, and 2017 for satellite control systems, assuming that DOD also received alternative, comparable spectrum width and compensation. Thus far, no comparable bandwidth for DOD has been proposed. In a new report, GAO concluded that more analysis is needed before making decisions about the 1755-1850 MHz band (GAO-01-795, August 2001).

Congressional Action. Neither the HASC nor the SASC included any language about the issue of relocating DOD to another frequency.

Legislation

Budget Resolution

H.Con.Res. 83 (Nussle)

A concurrent resolution establishing the congressional budget for the United States government for FY2002, revising the congressional budget for the United States government for FY2001, and setting forth appropriate budgetary levels for each of fiscal years 2003 through 2011. Reported by the House Budget Committee (H.Rept. 107-26), March 23, 2001. Passed the House (222-205), March 28, 2000. Passed the Senate (65-35), April 6, 2001. Conference report filed (H.Rept. 107-55), May 8, 2001. Conference report passed the House (221-207), May 9, 2001, and the Senate (50-48), May 10, 2001.

Supplemental Appropriations

P.L. 107-20, H.R. 2216/S. 1077

An original bill making emergency supplemental appropriations for the fiscal year ending September 30, 2001, and for other purposes. H.R. 2216 reported by the House Committee on Appropriations (H.Rept. 107-102), June 19, 2001; passed the House (223-205), June 20, 2001. S. 1077 reported by the Senate Committee on Appropriations (S.Rept. 107-33), June 21, 2001; passed Senate July 10. Conference report (H.Rept. 107-148) passed the House and the Senate on July 20, 2001. Signed into law July 24, 2001.

Emergency Supplemental Appropriations

P.L. 107-37, H.R. 2888

Making emergency supplemental appropriations for fiscal year 2001 for additional disaster assistance, for anti-terrorism initiatives, and for assistance in the recovery from the tragedy that occurred on September 11, 2001, and for other purposes. Passed by the House and Senate on September 14, 2001.

Authorization for Use of Military Force

P.L. 107-40, S.J. Res 23

Authorizing the use of United States armed forces against those responsible for the recent attacks launched against the United States. Passed House and Senate on September 14, 2001.

Continuing Resolution

H.J.Res. 65 (Young, C.W. Bill)

Making continuing appropriations for the fiscal year 2002, and for other purposes. Passed House on September 24, 2001 (392-0), and Senate on September 25, 2001 by unanimous consent. Cleared for the White House.

Defense Authorization

H.R. 2586 (Stump)

A bill to authorize appropriations for FY2002 for military activities of the Department of Defense, to prescribe military personnel strengths for FY2002, and for other purposes. Ordered to be reported by the House Committee on Armed Services, August 1, 2001; reported (H.Rept. 107-194) on September 4. Considered by the full house on September 20, 24, and 25, 2001. Passed House on September 25, 2001 (398-17).

S. 1438 and S. 1416 (Levin)

A bill to authorize appropriations for FY2002 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes. Ordered to be reported by the Senate Committee on Armed Services on September 4, 2001; reported (S. Rept. 107-162) on September 12, 2001. Senate took up S. 1438 (an amended version of S. 1416) on September 21, 2001, September 24, and September 25.

Defense Appropriations

No action to date.

For Additional Reading

CRS Products

CRS Report 95-387. *Abortion Services and Military Medical Facilities*, by David F. Burrelli.

CRS Report RS20859. *Air Force Transformation: Background and Issues for Congress*, by Christopher Bolkcom.

- CRS Report RL31010. *Appropriations for FY2002: Military Construction*, by Daniel H. Else.
- CRS Report RS20787. *Army Transformation and Modernization: Overview and Issues for Congress*, by Edward F. Bruner.
- CRS Issue Brief IB96022. *Defense Acquisition Reform: Status and Current Issues*, by Valerie Bailey Grasso.
- CRS Report 98-756. *Defense Authorization and Appropriations Bills: A Chronology, FY1970-2001*, by Gary K. Reynolds.
- CRS Report RL30976. *Defense Budget for FY2002: Data Summary, Interim Version*, by Mary Tyszkiewicz.
- CRS Report RL30002. *A Defense Budget Primer*, by Mary Tyszkiewicz and Stephen Daggett.
- CRS Report RL30392. *Defense Outsourcing: The OMB Circular A-76 Program*, by Valerie Grasso.
- CRS Report RL30639. *Electronic Warfare: EA-6B Aircraft Modernization and Related Issues for Congress*, by Christopher Bolkcom.
- CRS Issue Brief IB87111. *F-22 Raptor Aircraft Program*, by Christopher Bolkcom.
- CRS Report RL30113. *Homosexuals and U.S. Military Policy: Current Issues*, by David F. Burrelli.
- CRS Issue Brief IB10012. *Intelligence Issues for Congress*, by Richard A. Best.
- CRS Report RL30563. *Joint Strike Fighter (JSF) Program: Background, Status, and Issues*, by Christopher Bolkcom.
- CRS Report RL30624. *Military Aircraft, the F/A-18E/F Super Hornet Program: Background and Issues for Congress*, by Christopher Bolkcom.
- CRS Report RL30051. *Military Base Closures: Time for Another Round?*, by David E. Lockwood.
- CRS Report RL30440. *Military Base Closures: Where Do We Stand?*, by David E. Lockwood.
- CRS Issue Brief IB93103. *Military Medical Care Services: Questions and Answers*, by Richard A. Best.
- CRS Issue Brief IB85159. *Military Retirement: Major Legislative Issues*, by Robert Goldich.

CRS Report RL31111, *Missile Defense: The Current Debate*, coordinated by Steven A. Hildreth and Amy F. Woolf.

CRS Report RL30427. *Missile Survey: Ballistic and Cruise Missiles of Foreign Countries*, by Robert D. Shuey.

CRS Report RS20151. *National Guard & Reserve Funding, FY1990-2001*, by Mary Tyszkiewicz.

CRS Report RS20062. *National Missile Defense and the ABM Treaty: Overview of Recent Events*, by Amy F. Woolf.

CRS Report RL30654. *National Missile Defense and Early Warning Radars: Background and Issues*, by Larry Chasteen.

CRS Issue Brief IB10034. *National Missile Defense: Issues for Congress*, by Steven A. Hildreth and Amy Woolf.

CRS Report RS20967. *National Missile Defense: Russia's Reaction*, by Amy F. Woolf.

CRS Report RS20851. *Naval Transformation: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RS20862. *Navy Amphibious Shipbuilding Programs: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RS21007. *Navy Trident Submarine Conversion (SSGN) Programs: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RS20643. *Navy CVN-77 and CVX Aircraft Carrier Programs: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RS20557. *Navy Network-centric Warfare Concept: Key Programs and Issues for Congress*, by Ronald O'Rourke.

CRS Report RS20535. *Navy Ship Procurement Rate and the Planned Size of the Navy: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RL30969. *Navy Shipbuilding: Proposed Mergers involving Newport News Shipbuilding: Issues for Congress*, by Ronald O'Rourke.

CRS Report RS20698. *Navy Zumwalt (DD-21) Class Destroyer Program: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RL30699. *Nuclear, Biological, and Chemical Weapons and Missiles: the Current Situation and Trends*, by Robert S. Shuey.

CRS Report 97-1027. *Nunn-Lugar Cooperative Threat Reduction Programs: Issues for Congress*, by Amy F. Woolf.

CRS Issue Brief IB94040. *Peacekeeping: Issues of U.S. Military Involvement*, by Nina Serafino.

CRS Report RL30828. *Radiofrequency Spectrum Management: Background, Status, and Current Issues*, by Lennard Kruger.

CRS Issue Brief IB93062. *Space Launch Vehicles: Government Activities, Commercial Competition, and Satellite Exports*, by Marcia Smith.

CRS Report RS20915, *Strategic Airlift Modernization: Background, Issues, and Options* by Christopher Bolkcom.

CRS Report RL30457. *Supplemental Appropriations for FY2001: Defense Readiness and Other Programs*, by Stephen Daggett.

CRS Issue Brief IB92115. *Tactical Aircraft Modernization: Issues for Congress*, by Christopher Bolkcom.

CRS Issue Brief IB98028. *Theater Missile Defense: Issues for Congress*, by Robert D. Shuey.

CRS Report RL30345. *U.S. Nuclear Weapons: Policy, Force Structure, and Arms Control Issues*, by Amy F. Woolf.

CRS Issue Brief IB92011. *U.S. Space Programs: Civilian, Military, and Commercial*, by Marcia Smith.

CRS Issue Brief IB86103. *V-22 Osprey Tilt-Rotor Aircraft*, by Christopher Bolkcom.

CRS Report RS20458. *Vieques, Puerto Rico Naval Training Range: Background Issues for Congress*, by Ronald O'Rourke.

CRS Report RS20993, *Wireless Technology and Spectrum Demand: Third Generation (3G) and Beyond*, by Linda K. Moore

Selected World Wide Web Sites

Information regarding the defense budget, defense programs, and congressional action on defense policy is available at the following websites.

Congressional Sites/OMB

House Committee on Appropriations
[<http://www.house.gov/appropriations>]

Senate Committee on Appropriations
[<http://www.senate.gov/~appropriations/>]

House Armed Services Committee

[<http://www.house.gov/hasc/>]

Senate Armed Services Committee

[http://www.senate.gov/~armed_services/]

CRS Appropriations Products

[<http://www.loc.gov/crs/products/apppage.html>]

Congressional Budget Office

[<http://www.cbo.gov>]

General Accounting Office

[<http://www.gao.gov>]

Office of Management and Budget

[<http://www.whitehouse.gov/OMB/>]

FY2002 Federal Budget Publications

[<http://w3.access.gpo.gov/usbudget/index.html>]

Defense Department and Related Sites

Defense LINK

[<http://www.defenselink.mil/>]

Defense Issues (Indexed major speeches)

[<http://www.defenselink.mil/speeches/>]

Under Secretary of Defense (Comptroller) FY2001 Budget Materials

[<http://www.dtic.mil/comptroller/fy2001budget/>]

Assistant Secretary of the Army (Financial Management & Comptroller) Budget

[<http://www.asafm.army.mil/budget/budget.asp>]

Army Link — the U.S. Army Home Page

[<http://www.army.mil/>]

Navy On-Line Home Page

[<http://www.navy.mil/index-real.html>]

Navy Budget Resources

[http://navweb.secnaw.navy.mil/pubbud/01pres/db_u.htm]

Navy Public Affairs Library

[<http://www.navy.mil/navpalib/.www/subject.html>]

United States Marine Corps Home Page

[<http://www.usmc.mil/>]

AirForceLINK

[<http://www.af.mil/>]

Air Force Financial Management Home Page

[<http://www.saffm.hq.af.mil/>]

Air Force Budget Resources

[<http://www.saffm.hq.af.mil/FMB/pb/2001/afpb.html>]

Appendix A: Summary Tables

Table A1. Defense Appropriations, FY1998 to FY2002

(budget authority in billions of current year dollars)

Actual FY1998	Actual FY1999	Actual FY2000	Estimate FY2001	Request FY2002
250.7	265.7	278.8	293.0	301.0

Sources: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2002*, Apr. 2001, for FY1998 through FY2000; FY2001 includes estimate from OMB, Budget of the United States Government, April 2001 plus additional appropriations for Department of Defense included in P.L. 107-20, Supplemental Appropriations Act, 2001; FY2002 request from the White House, Transmission to Congress of the FY2002 amended budget request, June 27, 2001.

Note: These figures represent current year dollars; exclude permanent budget authorities and contract authority; and reflect subsequent supplemental appropriations, rescissions, and transfers.

Table A2. Ballistic Missile Defense Funding by Program Element, FY2001- FY2002

(millions of dollars)

Program Element	Program Name	FY2001 Estimate	FY2002 Amended Request
BMD System: Support and Technology		745.3	920.0
603880C	BMD Segment	0.0	779.6
603175C	BMD Tech	0.0	132.9
602173C	Spt tech. Applied research	55.7	0.0
603173C	Spt tech. Adv. Tech dev.	130.8	0.0
603873C	Family of systems eng and integ.	225.9	0.0
603876C	Threat and counter meas.	22.4	0.0
603880C	BMD system (mil con)	0.0	7.5
603874C	BMD Tech Support (mil con)	1.9	0.0
603874C	BMD Tech ops	308.4	0.0
Terminal		1,305.1	2,221.0
603881C	BMD terminal segment	0.0	968.1
604861C	THAAD - TMD -EMD	541.0	0.0
603869C	MEADS concept dem/val	52.6	0.0
603869A	MEADS concepts - dem/val	0.0	73.6
604867C	Navy area defense - EMD	269.6	0.0
604235N	Navy area missile defense	0.0	388.5
1507N	Navy area missile procurement	0.0	7.0
604865C	Patriot PAC -3 R&D	442.0	0.0
604865A	Patriot PAC -3 R&D (EMD)	0.0	107.1

Program Element	Program Name	FY2001 Estimate	FY2002 Amended Request
2032A	Patriot PAC -3 procurement	0.0	676.6
Midcourse		2,411.3	3,940.5
603882C	BMD midcourse	0.0	3,940.5
603882C	Midcourse system (mil con)	0.0	0.0
603868C	Navy theater wide	456.4	0.0
603871C	Nat'l Missile Defense/dem/val	1853.5	0.0
603871C	Nat'l Missile Defense Dem/Val (mil con)	101.4	0.0
BMD - Boost		304.0	685.4
603883C	Boost defense segment	0.0	685.4
603319F	Airborne laser program	231.5	0.0
603876F	Space-based Laser	72.5	0.0
603884C	BMD - Sensors	368.5	495.6
603884C	BMD Sensors	0.0	495.6
604442F	SBIRS-Low	238.8	0.0
603875C	Intern. Coop	129.7	0.0
Headquarters		4.7	34.3
901585C	Pentagon reservation	4.7	0.0
901585C	Pentagon reservation	0.0	6.6
901598C	Mgt HQ BMDO	0.0	27.8
Total Ballistic Missile Defense Funding*		5,139.0	8,296.8

Sources: CRS calculations based on Office of the Undersecretary of Defense (Comptroller), Department of Defense Amended Budget, Fiscal Year 2002 (June 2001), Ballistic Missile Defense Organization, FY2002 Amended Budget Submission, June 2001; Ballistic Missile Defense Program, Briefing of 30 July; Office of the Undersecretary of Defense (Comptroller), Department of Defense Amended Budget, Fiscal Year 2002, RDT&E Program (R-1) and Procurement Programs (P- 1).

Note: Comparisons reflect April estimate for FY2001 and FY2002 Amended budget request; effects of FY2001 supplemental appropriations are not included.

Table A3. Congressional Action on Major Weapons Programs, FY2002: Authorization

(amounts in millions of dollars)

	FY2001 Estimate			FY2002 Request			House Authorization			Senate Authorization			Authorization Conference		
	#	Proc.	R&D	#	Proc.	R&D	#	Proc.	R&D	#	Proc.	R&D	#	Proc.	R&D
Army															
Apache Longbow Upgrade	—	720.3	—	—	888.6	—	—	898.6	—	—	935.6	—	—	—	—
Comanche Helicopter	—	—	608.4	—	—	787.9	—	—	816.4	—	—	816.2	—	—	—
Blackhawk Helicopter	18	187.9	—	12	174.5	—	12	174.5	—	22	277.0	—	—	—	—
M1A2 Abrams Tank Upgrade	—	290.9	—	—	395.8	—	—	385.8	—	—	395.8	—	—	—	—
Bradley FVS Base Sustainment	—	427.9	—	—	400.8	—	—	460.8	—	—	400.8	—	—	—	—
Artillery Systems	—	—	371.3	—	—	510.4	—	—	510.4	—	—	447.9	—	—	—
Tactical Unmanned Aerial Vehicles	4	37.4	34.1	12	84.3	38.2	12	91.6	18.2	12	100.5	44.2	—	—	—
Navy/Marine Corps															
AV-8B Harrier Aircraft	12	259.8	28.7	—	—	32.9	—	—	32.9	—	—	32.9	—	—	—
F/A-18 Hornet	39	2,750.5	234.5	48	3,067.5	253.3	48	3,067.5	214.3	48	3,082.5	280.3	—	—	—
V-22 Osprey Aircraft	9	1,126.4	146.6	12	1,009.9	546.7	12	1,009.9	446.7	9	783.2	451.7	—	—	—
DDG-51 Destroyer	3	2,678.6	200.3	3	2,966.0	262.0	3	2,996.0	276.9	3	2,966.0	268.0	—	—	—
New Attack Submarine (NSSN)	1	1,193.7	212.1	1	1,608.9	201.6	1	1,608.9	201.6	1	1,608.9	201.6	—	—	—
LPD-17 Amphibious Transport	—	—	0.2	—	—	1.0	—	—	1.0	—	—	1.0	—	—	—
Trident SSGN Conversion	—	—	37.4	—	86.4	30.0	—	137.4	30.0	—	264.4	64.0	—	—	—
ADC(X) Auxiliary Cargo Ship	1	335.8	—	1	370.8	—	1	370.8	—	1	370.8	—	—	—	—
Air Force															
B-2 Bomber Support/Modification	—	85.2	129.1	—	63.1	155.0	—	96.1	245.0	—	61.3	229.0	—	—	—
C-17 Airlift Aircraft	12	2,673.6	174.8	15	3,015.1	110.6	15	3,200.3	110.6	15	2,875.8	110.6	—	—	—
E-8C Joint Stars Aircraft	1	189.2	151.0	1	283.2	149.0	1	283.2	248.9	1	283.2	161.5	—	—	—
F-15 Aircraft Support/Modification	—	326.5	68.2	—	219.6	101.4	—	272.1	75.9	—	244.6	109.9	—	—	—
C-5 Aircraft Modification	—	94.5	91.7	—	103.2	166.5	—	103.2	136.5	—	—	166.5	—	—	—
F-22 Aircraft	10	2,130.4	1,398.8	13	2,658.2	881.6	13	2,658.2	866.5	13	2,658.2	881.6	—	—	—
Joint/Defense-Wide															
Airborne Laser (AF)	—	—	231.4	—	—	0.0	—	—	0.0	—	—	—	—	—	—
Joint Strike Fighter (AF, Navy)	—	—	680.2	—	—	1,536.8	—	—	1,576.8	—	—	1,259.6	—	—	—
Ballistic Missile Defense (BMDO)	—	439.9	4,204.4	—	—	7,036.5	—	—	7,323.5	—	—	5,201.7	—	—	—
Space-Based Infrared System (AF)	—	—	802.8	—	54.3	405.2	—	—	405.2	—	54.3	405.2	—	—	—
Guard & Reserve Equipment	—	99.1	—	—	—	—	—	—	—	—	—	—	—	—	—

***Notes:** All amounts exclude initial spares and military construction; most of the procurement funding for equipment for reserve forces is included in the accounts of the active-duty components.

Sources: Office of the Under Secretary of Defense (Comptroller), Department of Defense, Amended Budget, Fiscal Year 2002 (June 2001), Procurement Programs (P-1), Procurement Programs, Reserve Components (P-1R), and RDT&E Programs (R-1)